

## **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

Minutes of the New Jersey Transportation Trust Fund Authority's (the "Authority") Annual Meeting held at the Office of the Commissioner in the Administration Building of the New Jersey Department of Transportation, 1035 Parkway Avenue, Trenton, New Jersey on February 29, 2008 at 11:02 a.m. (E.D.T.)

The following Authority members were present:

Kris Kolluri, Esq., Chairman, Commissioner, Department of Transportation

James Petrecca, Manager, Office of Management & Budget, Designee for The Honorable  
R. David Rousseau

Robert A. Briant, Jr., Public Member

Joseph Ripa, Public Member

Constituting a quorum of the Members of the Authority

There were also present:

Steven Hanson, Executive Director

Sandra Deon, Secretary of the Authority

Mina Tsintzas, Assistant Secretary of the Authority

Aimee Manocchio Nason, Deputy Attorney General

Nancy B. Feldman, Director, Office of Public Finance

Judy Sigle, Acting Director, Division of Accounting & Auditing

Mike MacFeeters, Division of Accounting & Auditing

Ivette Santiago-Green, Esq., TTFA Ethics Liaison Officer

Sonia Frontera, Esq., Governor's Authorities Unit

Commissioner Kris Kolluri presided at the meeting, and Sandra Deon, Secretary, kept the minutes.

Commissioner Kolluri convened the meeting at 11:02 a.m. Executive Director Hanson called the roll. After acknowledging that a quorum of the members were present, he made the following statement:

I wish to announce that adequate notice of today's meeting of the New Jersey Transportation Trust Authority has been provided in accordance with the Open Public Meetings Act. Notice was filed with the Secretary of State. This notice was also mailed to five newspapers of general distribution (The Trentonian, Trenton Times, Camden Courier Post, Star Ledger, and Atlantic City Press), posted on the Authority's website, and in the main entrance of the New Jersey Department of Transportation's Headquarters.

Mr. Ripa moved the following resolution approving the minutes of the Authority's September 5, 2007 meeting:

**WHEREAS**, Article II, Section 8 of the Bylaws of the New Jersey Transportation Trust Fund Authority provides that the minutes of actions taken at meetings of the Authority be approved by the Authority.

**NOW, THEREFORE, BE IT RESOLVED**, that the minutes taken at the meeting of September 5, 2007 of the New Jersey Transportation Trust Fund Authority are hereby approved.

The above resolution was seconded by Mr. Briant and the Executive Director polled the members:

Commissioner Kolluri - Yea

Mr. Briant – Yea

Mr. Ripa – Yea

Mr. Petrecca – Yea

Nays: 0

Mr. Briant moved the following resolution electing Mr. Ripa, Vice-Chairperson of the Authority for Fiscal Year 2009:

**WHEREAS**, the Bylaws of the Authority provide for the annual election by the Authority of a Vice-Chairperson:

**NOW, THEREFORE, BE IT RESOLVED** that the Authority elects Mr. Ripa to serve in the capacity of Vice-Chairperson for the Fiscal Year 2009:

The above resolution was seconded by Mr. Petrecca and the Executive Director polled the members:

Commissioner Kolluri – Yea

Mr. Briant – Yea

Mr. Ripa – Yea

Mr. Petrecca – Yea

Nays: 0

Mr. Ripa moved the following resolution electing Ms. Feldman Treasurer of the Authority for Fiscal Year 2009:

**WHEREAS**, the Bylaws of the Authority provide for the annual election by the Authority of a Treasurer:

**NOW, THEREFORE, BE IT RESOLVED** that the Authority elects Ms. Nancy B. Feldman to serve in the capacity of Treasurer for the Fiscal Year 2009:

The above resolution was seconded by Mr. Petrecca and the Executive Director polled the members:

Commissioner Kolluri – Yea

Mr. Briant – Yea

Mr. Ripa – Yea

Mr. Petrecca – Yea

Nays: 0

Mr. Ripa moved the following resolution electing Ms. Deon Secretary of the Authority for Fiscal Year 2009:

**WHEREAS**, the Bylaws of the Authority provide for the annual election by the Authority of a Secretary:

**NOW, THEREFORE, BE IT RESOLVED** that the Authority elects Ms. Sandra Deon to serve in the capacity of Secretary for the Fiscal Year 2009:

The above resolution was seconded by Mr. Briant and the Executive Director polled the members:

Commissioner Kolluri – Yea

Mr. Briant – Yea

Mr. Ripa – Yea

Mr. Petrecca – Yea

Nays: 0

Mr. Briant moved the following resolution electing Ms. Tsintzas Assistant Secretary of the Authority for Fiscal Year 2009:

**WHEREAS**, the Bylaws of the Authority provide for the annual election by the Authority of an Assistant Secretary:

**NOW, THEREFORE, BE IT RESOLVED** that the Authority elects Ms. Mina Tsintzas to serve in the capacity of Assistant Secretary for the Fiscal Year 2009:

The above resolution was seconded by Mr. Petrecca and the Executive Director polled the members:

Commissioner Kolluri - Yea

Mr. Briant – Yea

Mr. Ripa – Yea

Mr. Petrecca – Yea

Nays: 0

Mr. Briant then moved the following resolution adopting the Authority's annual notice and schedule of meetings for the Fiscal Year 2009. Executive Director Hanson pointed out that

although the Authority votes and approves an annual notice and meeting schedule, meetings are only called when the Authority must act on a matter.

**WHEREAS**, pursuant to Article II, Section 3(a) of the Authority's Bylaws, the Authority is required to adopt an annual notice of meetings consistent with the requirements of the Open Public Meetings Act, N.J.S.A. 10:4-1 et seq.; and

**WHEREAS**, the adoption of regular meetings will enable the Authority to comply with the provisions of N.J.S.A. 10:4-18 which outlines the requirements for dissemination of the notice of the schedule of meetings adopted by the Authority to the general public for inspection; and

**WHEREAS**, the Authority has determined that all notices for any regular, special or emergency meetings of the authority be published in the Atlantic City Press, Camden Courier Post, Star Ledger, Trenton Times and Trentonian;

**NOW, THEREFORE, BE IT RESOLVED** that the Authority hereby adopts the following schedule of meetings for Fiscal Year 2009:

The New Jersey Transportation Trust Fund Authority announces in accordance with the "Open Public Meetings Act," N.J.S.A. 10:4-1 et seq., that it will hold regular meetings, open to the public at 10:30 a.m. for the period July 1, 2007 through June 30, 2008, on the following specific dates:

October 21, 2008  
January 22, 2009  
April 16, 2009 – Annual Meeting  
July 25, 2009

Unless otherwise provided, meetings will be held at the New Jersey Department of Transportation, Commissioner's Conference Room, 1035 Parkway Avenue, Trenton, New Jersey.

The above resolution was seconded by Mr. Ripa and the Executive Director polled the members:

Commissioner Kolluri – Yea

Mr. Briant – Yea

Mr. Ripa – Yea

Mr. Petrecca – Yea

Nays: 0

Commissioner Kolluri called upon Executive Director Hanson to explain and summarize the Fiscal Year 2009 Finance Plan. Executive Director Hanson stated there are two types of revenue sources, constitutionally dedicated revenue and statutorily dedicated revenue. First, the constitutionally dedicated revenue source that the Authority receives is an amount equivalent to the revenue derived from 10.5 cents per gallon of the motor fuels or approximately \$483 million per year. Commissioner Kolluri stated that the additional 1.5 cents per gallon of the motor fuels tax yields an additional \$78 million per year.

The second constitutionally dedicated revenue source is the petroleum gross receipts tax, equating to \$200 million per year. The final constitutionally dedicated revenue source is the general sales tax on new vehicle sales equating to \$200 million per year.

The other revenue sources are dedicated by statute and may be appropriated or not by the Legislature each year. The statutorily dedicated revenues consist of heavy truck fees of \$30 million per year (suggested when authority was formed in 1984), good driver surcharges of \$60 million per year, and toll road contributions from the Turnpike and South Jersey Transportation Authority of \$24.5 million per year. Mr. Hanson explained that all revenue flows into the Authority by Legislative appropriation. The Authority first uses these monies to pay debt service on obligations of the Authority and New Jersey Transit Corporation ("NJ Transit"). The Authority may not use bond proceeds to pay NJ Transit debt service. Debt service for Fiscal Year 2009 is approximately \$810 million.

First, the Authority pays its debt service. Second, the Authority pays NJ Transits debt service that is funded from Trust Fund capital program. NJ Transit uses

approximately \$110 million of its annual Trust Fund capital program allocation to make debt service payments on rail cars that were previously purchased for the Hudson Bergen Light Rail Transit System (LRTS) and the Riverline. Although this debt service is not a legal obligation of the Authority, the Authority ensures that reimbursement to NJ Transit for these expenses comes from appropriation revenues and not bond proceeds. Third, the Authority pays its operating expenses. Any monies that remain from the appropriation go to fund pay-as-you-go project expenditures.

Cash disbursements of the capital program include all active projects of the Transportation Trust Fund, including old and new projects. The Authority issues bonds to cover its cash disbursements that are not covered by pay-as-you-go monies.

The current estimate for Fiscal Year 2009 debt service, including both the Authority and NJ Transit, is \$810 million. This is a little higher than anticipated because of the disruptions in the auction rate securities market. Hopefully, the Authority will be able to restructure the 2003 Series A Bonds and avoid the additional interest costs.

Executive Director Hanson stated that he changed the manner in which the bonding plan is presented in the Fiscal Year 2009 Finance Plan. In prior years only one estimated bond amount was provided. This limited the Authority from possibly taking advantage of good market conditions since a revised Financial Plan submission to the Legislature would be required. This year's plan contains a bonding range, from \$1.2 billion to \$1.6 billion, which will provide the Authority with more flexibility.

Secondly, the Authority is considering issuing GARVEE Bonds to finance Contract B of the Rt. 52 project. The Authority utilized GARVEE Bonds for Contract A of the Rt. 52 project. Contract B is estimated to be \$270 million. The debt service on the GARVEE Bonds is funded

by payments from the Federal Highway Administration (“FHWA”). No State funds are used to pay debt service on the bonds. Commissioner Kolluri stated that if the Governor’s plan succeeds, the State will be issuing a great deal of GARVEE Bonds to fund major projects.

Mr. Briant asked about the proposed cost of the second part or Contract B of the Rt. 52 project. Executive Director Hanson responded that the total cost for Contract B will be \$270 million. The actual payments from the Federal funds will be approximately \$30 million per year. Mr. Briant also asked what total percentage of the annual Federal program will be allocated for GARVEE debt service payments on a long-term basis. Commissioner Kolluri responded that currently it is the \$15 million for Contract A and \$30 million for Contract B for a total of \$45 million per year. Commissioner Kolluri also indicated there will be additional high price-tag projects coming up beyond Fiscal Year 2009, located in the other New Jersey MPO's (Metropolitan Planning Organization), that will require GARVEE financing.

Commissioner Kolluri also stated that if we want the work to happen at the level we want it to happen, bonding with GARVEEs is the only way to go. Mr. Briant asked what is the term of the GARVEE Bonds? Ms. Feldman responded that the GARVEE Bonds have a 12-year term. The Authority has the ability to issue GARVEEs in multiple tranches. Commissioner Kolluri also stated GARVEEs are a useful financial tool to finance large projects.

The Authority’s finance plan and the Department’s capital project list will be submitted to the Legislature on April 1.

There being no further discussion from the floor, Mr. Ripa then moved the following resolution approving the Authority’s Financial Plan for Fiscal Year 2009.

**WHEREAS**, by virtue of the provisions of the New Jersey Laws of 1984, as amended (the “Act”), N.J.S.A. 27:1B-1 et seq., the New Jersey Transportation Trust Fund Authority (the “Authority”) is authorized to issue its bonds, notes and other obligations (collectively, the

“Obligations”) from time-to-time and to sell such Obligations at public or private sale at a price or prices and in a manner as the Authority shall determine; and

**WHEREAS**, pursuant to the Act, the Commissioner of the Department of Transportation is required to submit a report to the Senate and General Assembly which report shall contain, among other things, a description of projects to be financed in the ensuing fiscal year and a financial plan designed to implement the financing of the proposed projects to be conducted; and

**WHEREAS**, at the February 29, 2008 meeting of the Authority, the Authority discussed a proposed financing plan for transportation projects for Fiscal Year 2009, attached hereto as Exhibit A (the “2009 Finance Plan”); and

**WHEREAS**, the Authority has determined that it is desirable and in the best interests of the Authority to adopt the 2009 Finance Plan;

**NOW, THEREFORE, BE IT RESOLVED**, that

1. The Authority hereby approves the 2009 Finance Plan.
2. The Authority hereby authorizes the Executive Director to forward on behalf of the Authority a copy of this Resolution, including Exhibit A, which contains the 2009 Finance Plan, to the Commissioner of the Department of Transportation for submission to the Senate and General Assembly.
3. This Resolution shall take effect upon adoption in accordance with the Act.

The above resolution was seconded by Mr. Petrecca and the Executive Director polled the Board members:

Commission Kolluri – Yea

Public Member Robert A. Briant – Yea

Public Member Joe Ripa – Yea

Steve Petrecca – Yea

Nays: 0

Executive Director Hanson stated that the Fiscal Year 2007 audit performed by Mercadien resulted in a clean opinion. Everything was straight forward. The annual audit report contains no significant findings. He indicated that the beginning and ending balances are not really relevant. The audit report shows what the Authority owes at the end of the fiscal year. However, the Authority does not actually receive the invoices for an additional four to six months. Mr. Briant, of the Authority's Audit Committee, commended Mercadien on a job well done.

There being no further discussion or questions, Mr. Ripa then moved the following resolution accepting the Authority's audit report for Fiscal Year 2007.

**WHEREAS**, pursuant to Section 17 of the New Jersey Transportation Trust Fund Authority Act of 1984, as amended (the "Act"), N.J.S.A. 27:1B-1 et seq., the New Jersey Transportation Trust Fund Authority (the "Authority") is required to conduct an annual audit of its affairs and deliver a written report with respect to such audit to the Legislature and the Governor; and

**WHEREAS**, the Authority requires the services of a professional accounting firm with respect to the preparation of such audit; and

**WHEREAS**, the Authority selected the firm of Mercadien, P.C. ("Mercadien") to perform the audit of the Authority for Fiscal Year 2007; and

**WHEREAS**, Mercadien has prepared the audit for Fiscal Year 2007, a copy of which is attached to this Resolution as Exhibit A;

**NOW, THEREFORE, BE IT RESOLVED**, that

1. The Authority hereby accepts the audit report of Mercadien attached hereto as Exhibit A.
2. This Resolution shall take effect upon adoption in accordance with the Act.

The above resolution was seconded by Mr. Briant and the Executive Director polled the members:

Mr. Briant – Yea

Mr. Ripa – Yea

Mr. Petrecca – Yea

Mr. Kolluri - Yea

Nays: 0

Ms. Nancy Feldman, Director, Office of Public Finance, then updated the Board on the auction rate securities market. A majority of all State authorities are in the same predicament as the Transportation Trust Fund Authority because of the malfunctioning of the short-term capital market. Despite this disruption, the Authority's cost of capital is among the lowest of the authorities affected. The Treasurer's Office is reviewing various options as part of a comprehensive plan and will come back to the Authority in a month with a restructuring plan for its bonds.

The Authority's restructuring plan will be more complicated because the effected bonds are refunding bonds and there are swap agreements associated with those bonds. The Authority is experiencing increased costs on these bonds. Currently, the Authority is paying the swap providers the fixed interest rate payment plus a 200 percent increase in the interest rate on the auction rate bonds. The State is not contemplating a refunding of these bonds but restructuring of the interest rates on the bonds.

There being no further business coming before the Authority, Commissioner Kolluri requested a motion to adjourn the meeting. Mr. Briant moved that the February 29, 2008 meeting of the Transportation Trust Fund Authority be adjourned, and Mr. Ripa seconded the motion, which was unanimously adopted.

The New Jersey Transportation Trust Fund Authority Meeting ended at approximately 11:30 a.m.

Respectfully submitted,

Sandra Deon  
Secretary of the Authority