

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

Minutes of the meeting of the New Jersey Transportation Trust Fund Authority (the “Authority”) 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 April 6, 2006 at 9:46 a.m. (E.D.T.)

The following Authority members were present:

Kris Kolluri, Esq., Commissioner, Department of Transportation
Michael Lihvarcik, Office of Management and Budget, Designee for Treasurer Bradley I. Abelow, CPA
Robert A. Briant, Jr., Public Member
Joseph Ripa, Public Member

Public Member Louis A. Giammarino was absent

Constituting a quorum of the Members of the Authority

There were also present:

Steven B. Hanson, Executive Director
Sandra S. Deon, Secretary of the Authority
Aimee Manocchio Nason, Deputy Attorney General
Joe Licari, DOT Director, Division of Accounting & Auditing
Mike MacFeeters, Office of the Executive Director
Donald Strizki, Office of the Executive Director
James Petrino, Acting Director, Office of Public Finance
Warren Brody, Mercadieu, P.C., Auditor
Mark Trease, Office of Legislative Services
Dusty McNichol, The Star Ledger
Brendan Gill, Communications Office

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

Commissioner Kolluri convened the meeting at 9:46 a.m. After acknowledging that a quorum of the members were present, Commissioner Kolluri introduced himself as the new

Commissioner of the Department of Transportation and Chairman of the Transportation Trust Fund Authority's Board. He then 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) and posted in the main entrance of the New Jersey Department of Transportation headquarters.

Executive Director Hanson called the roll.

Mr. Ripa moved the following resolution approving the minutes of the Authority's

November 2, 2005 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 on November 2, 2005 of the New Jersey Transportation Trust Fund Authority are hereby approved.

The above resolution was seconded by Mr. Briant and adopted on a call of roll as follows:

Yeas: 4

Nays: 0

Mr. Ripa then moved the following resolution accepting the Authority's audit report for fiscal year 2005.

RESOLUTION AUTHORIZING THE ACCEPTANCE OF THE AUDIT REPORT FOR THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

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 2005; and

WHEREAS, Mercadien has prepared the audit for Fiscal Year 2005, 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 adopted on a call of roll as follows:

Yeas: 4

Nays: 0

Commissioner Kolluri called upon Executive Director Hanson to explain and summarize the Fiscal Year 2007 Finance Plan. Executive Director Hanson stated there are two types of revenue sources, constitutionally dedicated revenue and statutorily dedicated revenue. The first constitutionally dedicated revenue source which the Authority receives is an amount equivalent to the revenue derived from 9 cents of the 10.5 cents per gallon of the motor fuels or approximately \$405 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, good driver surcharges of \$60 million per year, and toll road contributions of \$24.5 million per year. For Fiscal Year 2007, there will be a new revenue source; the Authority will receive an amount equivalent to the remaining 1.5 cents per gallon of the motor fuels tax that will yield an additional \$78 million per year. At the present time, the 1.5 cents of the motor fuels tax has been dedicated by statute. At the November election, the people of New Jersey will be asked to approve a constitutional amendment dedicating the remaining 1.5 cents of the motor fuels tax to the funding of the State Transportation System.

Mr. Hanson continued his presentation by stating 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”). It is a legal requirement for the Authority to make sure that bond proceeds are not used to pay NJ Transit debt service.

Any remaining revenues after debt service is paid become pay-as-you-go capital and are used to pay for capital projects. Cash disbursements of the capital program include all active projects of the Transportation Trust Fund, including old and new projects. The Authority does not bond for contract authority. The Authority issues bonds to cover its cash disbursements.

Starting in Fiscal Year 2007, the entire \$805 million of constitutionally dedicated monies would be needed to pay the Authority’s existing debt service and this would continue through 2019. If new bonds were issued in Fiscal Year 2007 to finance a capital program, the Authority’s debt service would exceed the \$805 million threshold.

As part of the Governor's proposal, the Authority will receive the additional 1.5 cents of the motor fuel tax revenues, and restructure some of its existing debt by refunding it and extending its maturity to 31 years. Although the term of the debt is increased, overall debt service will be reduced by approximately \$1 million a year. The Governor's proposal also calls for bonds to be issued over the next five years to fund the capital program while overall debt service remains below the constitutionally dedicated amount of \$895 million per year. Executive Director Hanson stated the useful life of the projects being financed will match up almost exactly with the maturity of the bonds because the bonds are serial bonds and do not all have the same maturity.

Commissioner Kolluri made the following two important points. First, the Federal Highway Administration ("FHWA") approves of this plan and applauds New Jersey's ability to continue multi-year funding under this fiscally sound program; and second, this is the first time in history that the remaining 1.5 cents of the motor fuels tax is being dedicated to State Transportation Projects. In addition, this is the first time since 2000 that the remaining \$12 million under the toll road contracts is being appropriated to the Authority. These changes will make significant changes in the way the Authority does business.

Mr. Hanson stated the Authority is only restructuring 24 percent of its debt. The 30 year maturity of the bond issues is entirely consistent with the projects that the Department of Transportation is undertaking.

Usually, the Authority's finance plan is submitted to the Legislature at the same time as the capital project list. The capital project list was submitted to the Legislature on Friday, March 31, 2006.

The Authority will be issuing \$1.1 billion in new bonds in Fiscal Year 2007.

Mr. Hanson stated there were two minor changes to the Fiscal Year 2007 Finance Plan. First, the Attorney General's Office has advised the Authority that it may carry forward unused bonding cap from previous fiscal years into Fiscal Year 2007. However, if the Authority wishes to do so, it must obtain JBOC's approval. Second, any GARVEE bonds (which bonds are secured by Federal reimbursements) issued by the Authority will still count against the bonding cap.

Commissioner Kolluri stated that the use of GARVEE bonds was a unique way to fund the Rt. 52 Project but he does not anticipate using this type of funding in the future because of the additional dedicated revenue monies.

Mark Trease, Office of Legislative Services, stated that Commissioner Lettiere made the statement that \$60 million generated from the motor fuels tax shows up as NJ Transit capitalized maintenance. Mr. Trease asked whether that would continue going forward.

Commissioner Kolluri stated that NJ Transit continues to receive a subsidy for capitalized maintenance. Mr. Trease pointed out that 9 cents of the 10.5 cents is approximately \$465 million but the TTFA statute authorizes the payment of a minimum of \$405 million to the Transportation Trust Fund.

A discussion took place among the Board members and Mr. Trease regarding whether the Authority was receiving the full yield of the constitutionally dedicated motor fuels taxes. It was noted that the Authority will continue to get \$405 million of constitutionally dedicated motor fuels taxes, plus the additional \$78 million once the constitutional amendment is adopted as well as \$12 million under the toll road contracts.

Mr. Lihvarcik stated that the State's Budget has a Federal component of \$1.3 to \$1.4 billion which includes NJ Transit. This capital program is the largest in the Department of

Transportation's history and also the largest in the Transportation Trust Fund Authority's history.

There being no further discussion from the floor, Mr. Ripa then moved the following resolution approving the Authority's Financial Plan for Fiscal Year 2007.

RESOLUTION OF THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY APPROVING THE FISCAL YEAR 2007 FINANCE PLAN AND AUTHORIZING THE SUBMISSION OF THE FISCAL YEAR 2007 FINANCE PLAN TO THE COMMISSIONER OF THE DEPARTMENT OF TRANSPORTATION FOR SUBMISSION TO THE SENATE AND THE GENERAL ASSEMBLY

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 April 6, 2006 meeting of the Authority, the Authority discussed a proposed financing plan for transportation projects for Fiscal Year 2007, attached hereto as Exhibit A (the "2007 Finance Plan"); and

WHEREAS, the Authority has determined that it is desirable and in the best interests of the Authority to adopt the 2007 Finance Plan;

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby approves the 2007 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 2007 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. Briant and adopted on a call of roll as follows:

Mr. Hanson polled the Board members

Commissioner Kolluri – Yes

Public Member Robert A. Briant – Yes

Public Member Joe Ripa – Yes

Michael Lihvarcik – Yes

Nays: 0

There being no further business coming before the Authority, Commissioner Kolluri requested a motion to adjourn the meeting. Mr. Ripa moved that the April 7, 2006 meeting of the Transportation Trust Fund Authority be adjourned, and Mr. Briant seconded the motion, which was unanimously adopted.

The New Jersey Transportation Trust Fund Authority Meeting ended at approximately 10:20 a.m.

Respectfully submitted,

Sandra S. Deon,
Secretary of the Authority