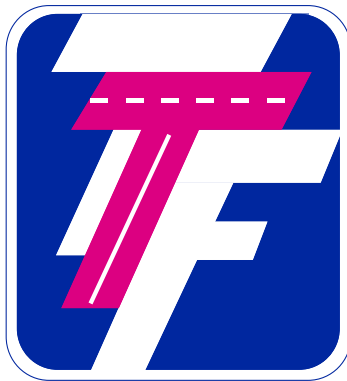


New Jersey Transportation Trust Fund Authority Fiscal Year 2018 Financial Plan

Plan for Financing Anticipated NJDOT/NJ TRANSIT Capital Program Outlays for Fiscal Year 2018



**NEW JERSEY
TRANSPORTATION
TRUST FUND**

*Prepared by the
New Jersey Transportation Trust Fund Authority*

Adopted June, 2017

Chris Christie, Governor
Kim Guadagno, Lt. Governor

Richard T. Hammer, Commissioner

I. Introduction

New Jersey Transportation Trust Fund Authority's 2018 Financial Plan

The New Jersey Transportation Trust Fund Authority (“NJTTFA”, “TTFA”, or “Authority”) finances the State portion of the capital programs of the New Jersey Department of Transportation (“NJDOT”) and New Jersey Transit Corporation (“NJ Transit”) as well as the State’s Local Aid transportation program. The New Jersey Transportation Trust Fund Authority Act, as amended, N.J.S.A. 27:1B-1 et seq. (the “TTFA Act”), requires the TTFA to adopt a Financial Plan which must meet the following requirements:

“The financial plan shall contain an enumeration of the bonds, notes or other obligations of the authority which the authority intends to issue, including the amounts thereof and the conditions therefor. The financial plan shall set forth a complete operating and financial statement covering the authority’s proposed operations during the ensuing fiscal year, including amounts of income from all sources, including but not limited to the proceeds of bonds, notes or other obligations to be issued, as well as interest earned. In addition, the plan shall contain proposed amounts to be appropriated and expended, as well as amounts for which the department anticipates to obligate during the ensuing fiscal year for any future expenditures.” [N.J.S.A. 27:1B-22d]

In the recent past, the TTFA has funded its programs through annual State appropriations of revenues received from the Motor Fuels Tax, Petroleum Gross Receipts Tax and Sales and Use Tax, toll road contributions, investment earnings, and the incurrence of debt. The Fiscal Year 2017 Appropriations Act initially reflected a continuation of the annual Statewide Transportation Capital Program at \$1.6 billion. Supplemental legislation signed by Governor Christie in March 2017 appropriated an additional \$400 million, increasing the 2017 Capital Program to \$2 billion. The Fiscal Year 2018 Governor’s Budget Message maintains a Statewide Transportation Capital Program of \$2.0 billion.

Fiscal Year 2017 resources included the issuance of \$3.24 billion in Federal Highway Reimbursement Revenue Notes, commonly known as Indirect GARVEEs, consisting of approximately \$2.7 billion in Indirect GARVEE Notes (2016 Series A) which were publicly offered and \$.5 billion in Indirect GARVEE Notes (2016 Series B) which Series B Notes evidenced a term loan made to the Authority. A GARVEE is a bond or note issued by a state or through a conduit issuer that is secured by a pledge of Federal Highway Administration Reimbursements. For Indirect GARVEE bonds, a portion of the ongoing project expenses that are reimbursed by the Federal Highway Administration is used to pay the associated debt service. The Indirect GARVEE proceeds are expected to be sufficient to cover the TTFA’s cash needs in Fiscal Year 2017 and Fiscal Year 2018.

In October 2016, a revised TTFA Act was enacted by the State Legislature and signed by the Governor. It provided for an 8-year, \$16.0 billion program, funded by a combination of current revenues (also referred to as pay-as-you-go or “PAYGO”) and \$12 billion in bonding authorization, both of which were supported by the enactment of an increase in the motor fuels tax and in the petroleum products gross receipts tax. The increase in bond authorization was predicated on the passage of a proposed constitutional amendment, which was approved by the voters in the

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November 2016 general election. Amounts equivalent to the total collection of motor fuels tax revenues and petroleum products gross receipts revenues are now constitutionally dedicated for transportation purposes.

II. Prior Years' Results

The following table summarizes the results of the TTFA's operations for Fiscal Years 1985 through 2016 as well as the unaudited results for Fiscal Year 2017:

SUMMARY OF OPERATIONS (FY 1985-2016)			
(DOLLAR AMOUNT IN THOUSANDS)			
<u>DESCRIPTION</u>	1985-2016 <u>ACTUAL</u>	2017 <u>ESTIMATED</u>	THRU 2017 <u>ACTUAL & EST.</u>
Authority Sources:			
Revenue Appropriations	\$ 18,758,922	\$ 1,296,831	\$ 20,055,753
NJ Turnpike (New Contract)	66,000	-	66,000
Prior Year Carryforward	83,722	-	83,722
Build America Bond Tax Credits	226,788	36,049	262,837
Interest Earnings	523,977	10,185	534,162
<u>Net Bond Proceeds *</u>	<u>21,024,626</u>	<u>3,159,994</u>	<u>24,184,620</u>
Total Authority Sources	\$ 40,684,035	\$ 4,503,059	\$ 45,187,094
Authority Uses:			
Program Appropriations	\$ 29,813,100	\$ 2,000,000	\$ 31,813,100
Debt Service (TTF) **	13,415,672	1,190,764	14,606,436
<u>Authority Expenses</u>	<u>25,565</u>	<u>675</u>	<u>26,240</u>
Total Authority Uses	\$ 43,254,337	\$ 3,191,439	\$ 46,445,776
Net Balance	\$ (2,570,302)	\$ 1,311,620	\$ (1,258,682)
* Includes Bond Premiums net of cost of issuance			
** State Contract Transportation System & Transportation Program Bonds Debt Service only			

As a measure of the TTFA's total operation, the estimated negative \$1.3 billion "net balance" calculation for Fiscal Years 1985 through 2017 in the chart above recognizes that the TTFA only

issues bonds or notes to meet cash flow obligations, not the full value of capital program appropriations. The “Program Appropriations” calculation reflects the obligation authority that the State Legislature provided to NJDOT/NJ Transit for TTFA projects since Fiscal Year 1985. However, the costs of most transportation capital projects are paid out in cash to vendors over a number of years. This is particularly true of large road and bridge construction projects. The TTFA only issues bonds for cash outlays that are anticipated in the current year. As a summary of operations, the net calculation of negative \$1.3 billion reflects all spending authority (i.e. inception to date) less the total resources that have been provided or generated by the TTFA through June 30, 2017. The \$1.3 billion improvement in FY 2017, from the \$2.6 billion figure at the end of Fiscal Year 2016, is a result of the TTFA’s aforementioned issuance of the Indirect Garvees.

III. New Jersey Transportation Capital Plan

The prior five-year New Jersey Transportation Capital Plan (the “Plan”) that expired on June 30, 2016 for the State’s transportation infrastructure provided \$6.2 billion in total TTFA project authorizations from Fiscal Year 2012 through Fiscal Year 2016. When combined with \$1.8 billion of funding authorization from the Port Authority of New York and New Jersey (“PANYNJ” or “Port Authority”) for the Pulaski Skyway, Route 7/Wittpenn Bridge, and New Road/Portway projects in the Port District, the total Plan authorized approximately \$8 billion of work over the five-year period. The last installment of spending authority associated with the \$1.8 billion in Port Authority funds was received in Fiscal Year 2016. Starting in Fiscal Year 2017, the State-funded portion of the Plan is completely funded by the TTFA.

Cash required to support the Plan is primarily provided by the sale of bonds. The bonding authorization in the TTFA Act for Program Bonds was exhausted in FY 2016. Program Bonds are issued as “state contract” debt backed by a contract between the State Treasurer, Commissioner of Transportation and the TTFA. As noted above, the revised TTFA Act signed in October 2016 provided for \$12 billion in total bonding authorization to finance transportation projects beginning in Fiscal Year 2017 through Fiscal Year 2024.

As noted in the chart below, the FY 2018 Transportation Capital Plan splits the \$2 billion program between DOT (\$894 million), NJ Transit (\$676 million), and Local Aid (\$430 million).

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NEW JERSEY CAPITAL TRANSPORTATION PLAN	
(\$ MILLIONS)	
Sources:	
	FY 18
Total TTFA	\$ 2,000.0
Port Authority Projects	\$ -
Total Sources	\$ 2,000.0
Uses:	
	FY 18
DOT	\$ 894.0
NJ Transit	\$ 676.0
Local Aid	\$ 430.0
Total TTFA	\$ 2,000.0
Port Authority	-
Total Uses	\$ 2,000.0

As summarized in the chart below, the FY 2018 Governor’s Budget Message recommends an appropriation to the NJTTFA of \$1,311.5 million, which represents an increase of \$14.7 million (1.1%) from the amount appropriated in the FY 2017 Appropriations Act (\$1,296.8 million).

FY 17 TTF APPROPRIATION			
(\$ MILLIONS)			
	FY 17	FY 18	
	Approp.	GBM	Change
Motor Fuels Tax	\$ 515.0	\$ 573.2	\$ 58.2
Petroleum Gross Receipts	218.1	526.3	\$ 308.2
Sales & Use Tax	551.7	200.0	\$ (351.7)
Toll Road Authorities	<u>12.0</u>	<u>12.0</u>	<u>\$ -</u>
TOTAL TTF APPROP.	\$ 1,296.8	\$ 1,311.5	\$ 14.7

IV. Debt Issuances

A. Debt Issuances - Fiscal Year 2018 Capital Program

The revised TTFA Act allowed for the issuance of \$12 billion of Program Bonds between FY 2017 and FY 2024. The TTFA issued \$3.24 billion (par amount) of Federal Highway Reimbursement Revenue Notes, 2016 Series A & B (the "Notes") during FY 2017 which will be sufficient to cover both FY 2017 and FY 2018 project costs. The chart below summarizes the TTFA's projected FY 2018 cash flows:

FY 18: STATEMENT OF ANTICIPATED CHANGES IN CASH POSITION		
(\$ Whole)		
<u>Description</u>	<u>Sub-Total</u>	<u>Total</u>
Estimated July 1, 2017 Cash Balance		\$ 2,511,508,991
Receipts:		
State Appropriations:		
Motor Fuels Tax	573,257,000	
Petroleum Products Tax	526,276,000	
Sales and Use Tax	200,000,000	
Toll Road Authorities Contributions	12,000,000	
Net Total		1,311,533,000
Pay-As-You-Go*		-
Interest Income		2,500,000
Bond Proceeds		-
Build America Bonds Tax Credit		36,089,000
Total Receipts		\$ 1,350,122,000
Disbursements:		
State Transportation Project Costs		1,800,000,000
TTF Debt Service		1,226,144,000
NJT COPs Debt Service		85,389,000
Authority Operating Expenses		675,400
Total Disbursements		\$ 3,112,208,400
Estimated July 1, 2018 Cash Balance		\$ 749,422,591

*Pursuant to Section 3 of L. 2016, c. 56 amending Section 20 of L.1984, c.73 (C.27:1B-20), dedicated revenues totaling \$1.3 billion, including \$334.6 million in FY 2017 and \$940.2 million in FY 2018, are expected to be deposited into the Subaccount for Capital Reserves created pursuant to Section 3 and are available for appropriation to meet the future statutory needs of the Authority.

B. Constitutional Dedication

Pursuant to Article VIII, Section II, Paragraph 4 of the New Jersey State Constitution, certain revenues are dedicated to the purposes of paying or financing the cost of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the transportation system in this State. The relevant text is set forth below, reflecting the most recent constitutional amendment accepted by the voters in November 2016.

4. There shall be credited to a special account in the General Fund:

(a) for each State fiscal year commencing on and after July 1, 2007 through the State fiscal year commencing on July 1, 2015 an amount equivalent to the revenue derived from \$0.105 per gallon from the tax imposed on the sale of motor fuels pursuant to chapter 39 of Title 54 of the Revised Statutes, and for each State fiscal year thereafter, an amount equivalent to all revenue derived from the collection of the tax imposed on the sale of motor fuels pursuant to chapter 39 of Title 54 of the Revised Statutes or any other subsequent law of similar effect;

(b) for the State fiscal year 2001 an amount not less than \$100,000,000 derived from the State revenues collected from the tax on the gross receipts of the sale of petroleum products imposed pursuant to P.L.1990, c.42 (C.54:15B-1 et seq.) as amended and supplemented, or any other subsequent law of similar effect, for each State fiscal year from State fiscal year 2002 through State fiscal year 2016 an amount not less than \$200,000,000 derived from those revenues, and for each State fiscal year thereafter, an amount equivalent to all revenue derived from the collection of the tax on the gross receipts of the sale of petroleum products imposed pursuant to P.L.1990, c.42 (C.54:15B-1 et seq.) as amended and supplemented, or any other subsequent law of similar effect; and

(c) for the State fiscal year 2002 an amount not less than \$80,000,000 from the State revenue collected from the State tax imposed under the "Sales and Use Tax Act," pursuant to P.L.1966, c.30 (C.54:32B-1 et seq.), as amended and supplemented, or any other subsequent law of similar effect, for the State fiscal year 2003 an amount not less than \$140,000,000 from those revenues, and for each State fiscal year thereafter an amount not less than \$200,000,000 from those revenues;

provided, however, the dedication and use of such revenues as provided in this paragraph shall be subject and subordinate to (a) all appropriations of revenues from such taxes made by laws enacted on or before December 7, 2006 in accordance with Article VIII, Section II, paragraph 3 of the State Constitution in order to provide the ways and means to pay the principal and interest on bonds of the State presently outstanding or authorized to be issued under such laws or (b) any other use of those revenues enacted into law on or before December 7, 2006. These amounts shall be appropriated from time to time by the Legislature, only for the purposes of paying or financing the cost of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the transportation

system in this State and it shall not be competent for the Legislature to borrow, appropriate or use these amounts or any part thereof for any other purpose, under any pretense whatever.

Article VIII, Section II, paragraph 4 added effective December 6, 1984; amended effective December 7, 2000; amended effective December 7, 2006; amended effective December 8, 2016.

C. Credit Ratings

The NJTTFA Federal Highway Reimbursement Revenue Notes, 2016 Series A are rated “A-” by Fitch Investors Service, “Baa1” by Moody’s Investors Service, and “BBB+” by Standard & Poor’s Corporation. The TTFA Federal Highway Reimbursement Revenue Notes, 2016 Series B are not rated by the rating agencies.

D. Fiscal Year 2018 Statutory Debt Limit

The TTFA’s FY 2018 Financial Plan is in compliance with the TTFA Act. With the revised TTFA Act enacted into law, the Authority’s unused statutory debt limit equals \$12.0 billion.

New Jersey Transportation Trust Fund Authority Statutory Debt Limit (\$ Whole)		
Fiscal Year Bonding Credits:		
FY 1996 – 2016		\$ 19,058,295,715
FY 2017		<u>12,000,000,000</u>
Total		\$ 31,058,295,715
Less Authority Bond Issuances:		
FY 1996 – 2016		\$ 19,054,970,715
FY 2017 Unused Debt Limit		\$ 12,003,325,000

The FY 2018 Financial Plan assumes that the TTFA will not need to issue any new notes or bonds to pay for State transportation projects in FY 2018, pay any costs of issuance, or any portion of the interest associated with any new notes or bonds.

V. Fiscal Year 2018 Operating Budget

The TTFA estimates the following operating expenses will be required during FY 2018. The operating budget, which does not include costs of issuance relating to bond issuances or the

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monthly interest obligations due on the 2014 Series BB multi-modal SIFMA notes, is funded from the legislative appropriations to the Authority:

Anticipated Operating Expenses (\$ Whole)	
<u>Description</u>	<u>Estimate</u>
Legal Notices	\$ 1,000
Professional Services	75,000
Trustee Service Fees	25,000
Cash flow Model Financial Advisory	250,000
Cash Flow Model Project Management	274,400
Contingency	50,000
Total	\$ 675,400

**Fiscal Year 2018
Anticipated Bond Issuance Costs**

The TTFA does not plan on issuing any new money bonds to support FY 2018 project expenditures.