
Commission Meeting

of

NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

LOCATION: Conference Call

DATE: April 23, 2021
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

James M. Rutala, Chair
Luke E. Wolff, Vice Chair
Senator Paul A. Sarlo
Senator Samuel D. Thompson
Assemblyman Harold 'Hal' J. Wirths
Catherine Z. Brennan
Jo Ann Povia
Dennis Zeveloff

ALSO PRESENT:

James Langsdorf
Executive Director

David F. Patella
Assistant Executive Director

Daniel Nason
Brian Onda
Budget Specialists



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Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
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(The New Jersey Commission on Capital Budgeting and Planning held a meeting on April 23, 2021, at 10 a.m. Members of the Commission present via teleconference were James M. Rutala, Luke E. Wolff, Senator Paul A. Sarlo, Senator Samuel D. Thompson, Assemblyman Harold 'Hal' J. Wirths, Catherine Z. Brennan, Jo Ann Povia, and Dennis Zeveloff)

JAMES M. RUTALA (Chair): Good morning. I'd like to call the April 23, 2021, meeting of the New Jersey Commission on Capital Budgeting and Planning to order.

In accordance with the Public Meetings Act, the Commission has provided adequate notice of this meeting by giving written notice of the time, date, and location. The notice of the meeting has been filed at least 48 hours in advance by mail or by fax to the Trenton *Times* and the Newark *Star-Ledger*, and filed with the Secretary of State.

We can now take roll call.

MR. LANGSDORF: Senator Sarlo. (no response)

Senator Thompson.

SENATOR THOMPSON: Yes.

MR. LANGSDORF: Assemblywoman Sumter. (no response)

Assemblyman Wirths.

ASSEMBLYMAN WIRTHS: Yes.

MR. LANGSDORF: Catherine Brennan.

MS. BRENNAN: Here.

MR. LANGSDORF: Ms. Jo Ann Povia.

MS. POVIA: Here.

MR. LANGSDORF: Mr. Dennis Zeveloff.

MR. ZEVELOFF: Here.

MR. LANGSDORF: Mr. Justin Braz. (no response)

Mr. Luke Wolff.

LUKE E. WOLFF (Vice Chair): Here.

MR. LANGSDORF: Mr. Rutala.

MR. RUTALA: Here.

MR. LANGSDORF: Chairman, we have a quorum.

MR. RUTALA: At this point we will take a motion for approval of the minutes of February 18, 2021.

Do we have a motion?

ASSEMBLYMAN WIRTHS: I'll move them.

MR. RUTALA: Okay; any second?

MS. POVIA: I'll move second.

MR. RUTALA: Thank you.

MR. LANGSDORF: On the motion to approve the minutes from February 18, 2021.

Senator Sarlo. (no response)

Senator Thompson.

SENATOR THOMPSON: I was not present, so I abstain.

MR. LANGSDORF: Assemblyman Wirths.

ASSEMBLYMAN WIRTHS: Yes.

MR. LANGSDORF: If I may, I am going to ask everyone who is not speaking to mute their microphones. It's possible that everyone on the call cannot hear what's being said.

Regarding the motion to approve the minutes from February 18, 2021, I'm going to start over.

Senator Sarlo. (no response)

Senator Thompson.

SENATOR THOMPSON: Abstained; not present.

MR. LANGSDORF: Assemblywoman Sumter. (no response)

Assemblyman Wirths.

ASSEMBLYMAN WIRTHS: Yes.

MR. LANGSDORF: Ms. Catherine Brennan.

MS. BRENNAN: Yes.

MR. LANGSDORF: Ms. Jo Ann Povia.

MS. POVIA: Yes.

MR. LANGSDORF: Mr. Dennis Zeveloff.

MR. ZEVELOFF: Yes.

MR. LANGSDORF: Mr. Justin Braz. (no response)

Mr. Luke Wolff.

MR. WOLFF: Yes.

MR. LANGSDORF: Mr. James Rutala.

MR. RUTALA: Yes.

MR. LANGSDORF: Chairman, the motion moves.

MR. RUTALA: Okay.

Next, we have a presentation on the State of New Jersey Debt Report for the Fiscal Year 2020.

M I C H A E L B. K A N E F: Good morning, Chairman Rutala, Vice Chairman Wolff, and Commission members.

I'm Michael Kanef, the Director of the Office of Public Finance in the Department of the Treasury. Here with me today is Anthony Longo,

Senior Manager of the Office. We are here today to present the State of New Jersey's Debt Report for the Fiscal Year 2020.

Also with me are John Megariotis, Director of the Division of Pensions and Benefits; and Jeff DeCicco, Assistant Director, Office of Management and Budget. John is here to assist with any questions related to the pensions, and Jeff is here to assist with any accounting-related questions.

As you know, the Office of Public Finance is the Treasury agency responsible for managing the process of borrowing funds for capital purposes -- primarily through the issuance of bonds, notes, and other obligations in the capital markets.

The purpose of the report is to assist the Commission by acceptance of the Report, and meeting its Legislative mandates to include such a report in its State Capital Improvement Plan.

In addition, the report is made available on our Office's website, and provides a data resource document to the public finance community.

I will now turn it over to Anthony Longo to present the report.

ANTHONY M. LONGO: Thank you, Michael.

This year's Report is generally consistent in format with that of prior years.

The Report comprises eight sections. Section 1 is an introduction, which includes the discussion of the various types of obligations covered and not covered by the report. Section 2 is the Legislative requirement for the report. Section 3 includes the State's outstanding obligations, which consists of summary tables and charts; changes in long-

term obligations; a 10-year history of outstanding obligations; and a listing of legislatively authorized but unissued debt.

Section 4 provides data on the annual debt service associated with the State's outstanding obligations; the summary tables and charts, followed by more detailed data. In Section 5 we provide obligation profiles for each bond issue -- or program funded with bonds. Section 6 provides selected debt metrics which compare New Jersey's standing relative to the other states.

Section 7 contains the glossary of terms, and headings used throughout the report and in the State CAFR. And Section 8 includes a section containing supplemental information, including subsequent events which occurred after June 30, 2020, as well as certain Pension and Benefits data.

At this point, I can begin a brief review of the numbers, focusing on some of the major totals and subtotals.

Please turn to page 8 of the Report.

If you look at the fourth line down on the top table, you can see that the total CAFR reconciled bonded obligations decreased \$33.7 million in Fiscal Year 2019 to Fiscal Year 2020. Non-bonded obligations decreased \$13.4 billion, to \$159.9 billion. The bonded and non-bonded obligations together sum the report total: \$204.2 billion of aggregate bonded and non-bonded obligations as of June 30, 2020.

This represents a decrease of \$13.4 billion from June 30, 2019, from \$217.7 billion. You can see in the Percent of Total column that the non-bonded obligations account for over 78 percent of the State's aggregate outstanding obligations.

Turn to page 10, you'll see the outstanding General Obligations Bonds of the State. The State's General Obligations bonds decreased \$48 million, year over year. The State's total outstanding General Obligations Bonds on June 30, 2020, was \$1.6 billion.

If you look at the next page, you can see the State's Subject to Appropriation Bonds supported by general State revenue. These obligations decreased \$58 million. The total outstanding amount of these obligations on June 30, 2020, was \$15.4 billion.

If you turn to the next page, you can see the State's Subject to Appropriation Bonds supported by dedicated State revenue. These obligations decreased by \$106.2 million, year over year. The total outstanding amount of these obligations on June 30, 2020, was \$16.7 billion. Also on this page is a subtotal for the three previous sections.

If you turn to the next page, you can see the CAFR Reconciliation, which consists of obligations not supported by State revenue, obligations recorded on other entities books, and other bond adjustments. The total CAFR reconciliations decreased \$129.6 million year over year to \$10.6 billion.

The sum of the four previous sections is the Aggregated Bonded Obligations figure of \$44.4 billion -- which again, was a decrease of \$33.7 million.

If you turn to the next page, you can see the Non-Bonded Obligations, which total \$159.9 billion on June 30, 2020 -- which was a decrease of \$13.4 billion. If you add the aggregate bonded obligations figure from the previous page to the total non-bonded obligations from this page,

you arrive at the Report total of \$204.2 billion of aggregate bonded and non-bonded obligations as of June 30, 2020 -- a decrease of \$13.4 billion.

In addition to the information on the State's outstanding obligations, the statute also requires the Report to include debt service costs on those obligations for the prior Fiscal Year, the current Fiscal Year, and the subsequent five Fiscal Years.

If you turn to page 18, you can see in the Fiscal Year 2020 the State incurred over \$4 billion in debt service supported by State revenue. In Fiscal Year 2020, that's the year it was projected to decrease slightly to just under \$4 billion and stay in that range until Fiscal Year 2023. After 2023, annual debt service is projected to decrease to approximately \$3.7 billion, and stay in that range from 2024 through 2026.

If you turn to page 20, you can see the Debt Service Supported by General State Revenues. In Fiscal Year 2020, it was \$2.4 billion. In Fiscal Year 2021, that figure was projected to decrease to approximately \$2.3 billion, and stay in that range until 2023. After 2023, debt service is projected to decrease to \$2.1 billion and stay in that range until Fiscal Year 2026.

If you turn to the next page, you can see the Debt Service Supported by Dedicated State Revenues in Fiscal Year 2020 is \$1.6 billion. That figure was projected to gradually decline in Fiscal Year 2021 through 2026.

In addition to bonded and non-bonded obligations, the statute also requires the report to include the unfunded actuarial accrued liabilities for State-Administered Retirement Systems, and the unfunded actuarial

accrued liability for post-retirement, medical, and other benefits. Those figures are presented on pages 70 through 74 of the Report.

I will end my presentation there, and I am happy to answer any questions with regard to the report.

MR. RUTALA: Thank you. Are there any questions for the speaker?

SENATOR THOMPSON: I do have one question.

In two months, we'll be at the end of Fiscal Year 2021. The data here is based on FY 19 and FY 20. Considering the time between the end of FY 20 and where we are today, why does it take this long to get this data out? It's almost out of date by the time we get it.

MR. LONGO: Yes, I would say that this data is based off of the CAFR which just came out earlier this month.

MR. LANGSDORF: Anthony, why don't you repeat that answer?

SENATOR THOMPSON: Okay-- The answer, yes, please.

MR. LONGO: Yes, this data reconciles to the CAFR, which was just released earlier this month.

SENATOR THOMPSON: Well, why does it take this long to reconcile the data? I would assume it was available well before this time period.

MS. POVIA: To the chair -- I think there needs to be clarification that we use verified data that is sort of-- We have to wait for the CAFR data, which was just a month ago, so the Report is basically in our hands to review for a month before the report is written.

Is that-- Am I understanding that correctly?

MR. KANEF: Yes, Jo Ann Povia.

So your comment is correct. So the CAFR -- which is the annual audited report of the State's financial position -- is not completed and verified by the accountant, generally, until the end of March.

So this report has been turned around and presented to the Commission within a month of confirmation of the data on which its based.

MS. BRENNAN: And I would just add that the CAFR comes out at the same time every year, barring unforeseen circumstances.

SENATOR THOMPSON: I still don't see a justification for it taking that long. Again, your GSAB was prepared July 1, 2019; the other was prepared -- the Pension plans -- July 1, 2020. So I don't understand the length of the delay here.

J E F F R E Y C. D e C I C C O: This is Jeff DeCicco from the Office of Management and Budget.

The CAFR relies on a number of outside audit reports that aren't made available until, usually, sometime in March. And then it takes some time for our auditors to verify the data before they give us the okay that we need in order to release the CAFR.

SENATOR THOMPSON: But again, if the Fiscal Year ended June 30, why does it take them to, again, March, to--

MS. BRENNAN: Jeff, maybe you could-- Could you please explain what are the entities that report into the CAFR -- all of the State institutions, the higher ed institutions -- all that goes into producing the CAFR, please?

MR. DeCICCO: Yes. We have over 30 component units; and there's also a lot of data that the pension actuaries have to sign off on.

Because of recent accounting pronouncements, it seems like there's more and more work for the auditors and the actuaries to do before everyone is able to sign off. I think that the earliest we would be able to release it would be -- I would say would be maybe a month or two prior to the current timeframe.

But, again, that's always assuming that multiple entities and multiple parties kind of don't run into any additional testing, or hiccups along the way, with regards to their audit work and actuarial work -- which never really happens.

SENATOR THOMPSON: Perhaps you might want to look into changing your timeline. By the time we get the Report it's almost still outdated because the next Fiscal Year is over.

MR. DeCICCO: Yes, and I think the CAFR-- I guess to put it in those terms, the CAFR is kind of beholden to the timeframes of outside parties that aren't within our control. Because everyone else has their own auditors that, you know, they aren't going to sign off on until they meet their auditing standards and all the work that they're kind of beholden to.

J O H N D. M E G A R I O T I S: And this is John Megariotis, Acting Director, Division of Pensions and Benefits.

The State CAFR is dependent upon the Division of Pensions and Benefits submitting the acquired GSAB information. And just because it says it's as of July 1, 2020, that's when-- It's the measurement date. We don't actually have that information until roughly June, when our actuaries have completed compiling it.

At that point in time it goes under a stringent audit by KPMG, who is our external independent auditor. And until such time as they sign off on that information and give us the blessing to finalize our financial

statements, it cannot be released, because it jeopardizes a good, clean opinion being issued with the State CAFR.

So there is a significant amount of work that has to be undertaken after the close of the Fiscal Year to make sure we're in compliance with all the standards set forth to meet disclosure and accounting requirements for pension funds -- governmental pension plans.

And that's why it takes the time that it does. You just can't flip a switch and have it ready the day after the Fiscal Year ends -- it's just not possible.

Thank you.

MR. RUTALA: Okay, are there any other questions? (no response)

If not, can I have a motion to approve the report as presented?

SENATOR SARLO: Mr. Chair, this is Senator Sarlo. I joined the call. I'll be available for the roll call.

MR. RUTALA: Okay, thank you.

SENATOR THOMPSON: I'll move the motion.

MR. RUTALA: Okay, thank you, Senator.

Second?

MS. BRENNAN: I'll second.

MR. RUTALA: Thank you, Cathy.

MR. LANGSDORF: Okay; on the matter of accepting the Debt Report for Fiscal Year 2022; Senator Sarlo.

SENATOR SARLO: Yes, I'll vote to accept the Debt Report.

Just a brief comment is -- and this is consistent with what we've talked about in the Budget and Appropriations Committee -- clearly, we need

to collectively -- the Legislature, the Executive branch; in a bipartisan manner -- need to continue to find ways to reduce our debt service as a State. And we need to take a hard look at the Federal dollars that will be coming into the State (indiscernible) amount of Federal dollars to continue to reduce debt.

But as part of legislative requirement, I vote *yes* to accept the Debt Report.

MR. LANGSDORF: Thank you.

Senator Thompson.

SENATOR THOMPSON: I'll join my Budget Committee Chairman in supporting the Report here. I talk about the timeline because we are, of course, considering our budget right now for FY 22, and current information would be useful as we move along in the process. That's why I raised the issue.

MR. LANGSDORF: Thank you, Senator.

Assemblywoman Sumter? (no response)

Assemblyman Wirths.

ASSEMBLYMAN WIRTHS: I agree with Budget Officer and Senator Sarlo. As an officer for the Republican side in Assembly, I would love to see the debt get paid down, and we should really consider the additional Federal funding coming in to lower New Jersey's debt.

So I will be "yes."

MR. LANGSDORF: Thank you, Assemblyman.

Ms. Catherine Brennan.

MS. BRENNAN: Yes.

MR. LANGSDORF: Ms. Jo Ann Povia.

MS. POVIA: Yes.

MR. LANGSDORF: Mr. Dennis Zeveloff.

MR. ZEVELOFF: Yes.

MR. LANGSDORF: Mr. Justin Braz. (no response)

Mr. Luke Wolff.

MR. WOLFF: Yes.

MR. LANGSDORF: James Rutala.

MR. RUTALA: Yes.

MR. LANGSDORF: Chairman, the motion moves.

MR. RUTALA: Thank you.

Is there any other business still before the Commission today?

(no response)

If not, I'll take a motion to adjourn.

ASSEMBLYMAN WIRTHS: So moved.

MR. ZEVELOFF: Second.

MR. RUTALA: All in favor say "aye." (affirmative responses)

Any opposed? (no response)

Thank you very much.

(MEETING CONCLUDED)