

Garden State Preservation Trust
Annual Report

FISCAL YEAR 2004



FY2004 Membership

Dennis Davidson, Chairman

Appointed April 2004, Senate appointee thru 2007

Robert DiVincent, Vice chairman

Appointed October 2003, Assembly appointee thru 2006

Maureen Ogden

Governor's appointee thru 2004

Cooper Morris

Senate appointee thru 2006

Herbert Wegner

Assembly appointee thru 2007

Russell Marino

Assembly appointee thru October 2003

Christopher Daggett

Senate appointee thru April 2004

Treasurer John McCormac, ex-officio

Represented during FY2004 by David Rousseau

Environmental Protection Commissioner Bradley Campbell, ex-officio

Represented during FY2004 by John S. Watson Jr., Joanna Dunn Samson

Agriculture Secretary Charles Kuperus, ex-officio

Represented during FY2004 by Mr. Kuperus himself, Greg Romano

Community Affairs Commissioner Susan Bass Levin, ex-officio

Represented during FY2004 by Marge Della Vecchia

Garden State Preservation Trust Fiscal Year 2004 Annual Report

This is the Annual Report of the Garden State Preservation Trust for the 2004 Fiscal Year from July 1, 2003 to June 30, 2004.

References to subsequent activities of the Trust that occurred during Fiscal Year 2005 are made only with regard to work that was begun during FY2004. (*An effort is made to offset FY2005 references in italics.*) Other references to months are for Fiscal Year 2004.

This is to be construed as the full annual report of the Garden State Preservation Trust for the 2004 Fiscal Year in compliance with P.L. 1999 C.152 section 8C-15. The Trust staff plans to follow this with a larger report for Fiscal Year 2005 that will include financial information from FY2000 through FY2003 and statistics on land preservation.

The principal author of the FY2004 Annual Report is Executive Director Ralph Siegel. Special thanks are owed to Bryan Lofberg of the State Agriculture Development Committee, John S. Watson Jr. and Eric Knudsen of the Department of Environmental Protection, and John Gerbino of Bear Stearns.

Garden State Preservation Trust



Saving New Jersey's Open Spaces, Historic Places and Farmland

Dear Governor Codey and Members of the Legislature,

On behalf of my fellow members of the Garden State Preservation Trust, I am proud to present you with our Annual Report for Fiscal Year 2004.

It was a privilege to serve as chairman during FY2004. The chairmanship has been an opportunity to serve you, to serve the taxpayers and to serve colleagues hard at work preserving land and improving parks at the State level, at all levels of local government and throughout the nonprofit community.

FY2004 was a turning point for the Trust. We have during this year dramatically improved our financial position to provide a new total of almost \$2 billion for the Green Acres, Farmland Preservation and Historic Trust programs over 10 years. This is substantially more funding than had been imagined when the GSPT Act was signed in 1999.

This increase in funds was made possible by a mix of good strategy, good financing and good luck (with respect to lower interest rates). But the greatest boost came in the renewed public support as expressed in the approval of the Nov. 4, 2003, ballot referendum to increase the Trust's authorized debt by \$150 million.

I pledge our continued maximum effort to provide the most funds possible for this campaign to preserve our shared vision of a green, vibrant future for the communities, the landscapes and the people of the Garden State.

Sincerely,

Dennis Davidson
Chairman, FY2004

Garden State Preservation Trust



Saving New Jersey's Open Spaces, Historic Places and Farmland

Dear Governor Codey and Members of the Legislature,

It is my deepest privilege to have prepared for you and for the members of the Garden State Preservation Trust's our Annual Report for Fiscal Year 2004.

This report presents a comprehensive and hopefully readable narrative with detailed financial disclosure of our ambitious program. It explains small details, such as how our agency budget was used, and it explains large details, such as the Trust's 10-year, \$2 billion program made possible by the largest commitment anywhere of bond financing for land preservation. It is these funds which in turn made possible a record list of projects for FY2004 as prepared by the Green Acres and Farmland Preservation programs.

The effort to preserve natural lands, farmland and parks for recreation is carried out day by day by a vast, interwoven community of State and local agencies, counties, cities and towns, and private conservation trusts. The Trust's role in this community is essential as the major financing agency but it is also a limited one.

The primary gratitude of the taxpayers and of the public servants is owed to others. You the leaders and lawmakers, who have approved appropriations during times of financial peril, deserve lasting respect for your courage. The men and women who pursue land preservation and recreation projects with dedication in a difficult environment have earned our appreciation. And above all, farmers and landowners who agree to preserve their land, usually at a substantial financial sacrifice for themselves or their families, are owed our greatest thanks.

Sincerely,

Ralph Siegel
executive director

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1. Executive Summary

An eventful year in land preservation and in preservation financing

Fiscal Year 2004, the fifth year of the Garden State Preservation Trust, has been its most eventful and historic.

The Trust approved funding for the largest one-year list of land preservation and park development projects in the history of New Jersey. The Trust made long-term financial decisions to assure greater efforts in the future to save natural lands, improve and acquire parks, preserve farmland and restore historic sites. The Trust put the financial power entrusted to it to work on behalf of current generations and on behalf of future generations, who will value and enjoy the natural lands, working agricultural landscapes and historic sites preserved today with the investments secured by the Trust

The State of New Jersey has been engaged in programs for public land and historic site preservation for more than 40 years. This would be an important effort in any state. But New Jersey is 10th in population in the United States with only 7,400 square miles, the fifth smallest state in terms of land area. As a result, the Garden State is the most densely populated in the nation and faces a tremendous challenge to contain poorly planned development and to preserve a good quality of life with a viable agricultural industry.

As development consumes our remaining open land and converts the character of our communities, historic sites are in jeopardy. Known as the Crossroads of the Revolution, New Jersey is also the Cradle of Invention and today has become a cultural melting pot of global diversity.

Preserving our historical heritage, our natural lands, our parks and our working farms has never been more crucial. It has also never been more difficult or more expensive. Real estate costs escalate daily and landowners face more difficult pressures. Preserving land is a challenge

in planning and it is a challenge in public finance that all of us must face together.

The Garden State Preservation Trust is a financing authority that provides the funds to conserve forests, watersheds and wildlife habitats, to develop parks with outdoor recreational facilities, and to preserve working farms, agricultural landscapes and historic structures.

When New Jersey approved the first Green Acres bond issue in 1961, voters likely thought they were treating themselves, and their children, to an amenity. Yet in the four decades and eight more bond issues since then the public's appreciation of natural land, whether park land or farmland, has grown into a realization that preserving select land from development has become crucial to the prosperity and well being of everyone. For instance, the State's investments and initiatives in preserving the Highlands was motivated only in part by such ideals as saving a natural area of such stunning beauty for future generations. The Highlands is a crucial source of drinking water for millions of New Jersey residents across the northern section of the state. A sprawl of asphalt and rooftops without some measure of containment and restraint would have compromised the Highlands as a drinking water supply.

New Jersey residents have recognized the wisdom of using government bond funds to preserve natural land and to develop parks in the same way and for the same reasons that government bond funds have been used to build schools, roads, water systems and other facilities. GSPT funds give local governments a permanent method of halting unwanted development and they give State government an important tool to redirect development to appropriate places. It was the public's investment in roads, sewers and water lines that in decades past made development possible. Now it is the public's investment in land preservation that is a cornerstone for preventing unwanted development in places where such growth diminishes the character of a community, threatens the finances of the local government and has an impact on the well being of all residents and generations.

After approving nine bond issues to preserve land, farms and historic sites since 1961, the voters in 1998 did something different – something better – by approving a change in the New Jersey Constitution to dedicate \$98 million a year from the State Sales and Use Tax. The Trust leverages these dedicated funds to issue tax-free municipal bonds and to make the maximum dollars available:

- ✓ **\$500 million bond issue – March 2003**
- ✓ **\$500 million forward delivery bond issue – May 2004**
- ✓ **\$150 million forward delivery bond issue – September 2004**

New Jersey now has the best-funded land preservation program in the Northeast and one of the largest state-run efforts ever attempted in the United States. The May 2004 and September 2004 forward delivery bond issues, with the \$500 million bond issue in March 2003, also attracted more than \$69 million in additional premium payments from bond investors. The result is the Trust has brought in more than \$1.2 billion in bond proceeds for natural land acquisition, farmland preservation and park development. This is 20 percent more than the \$1 billion authorized in 1998 and it was brought in without additional cost to taxpayers.

Prudent planning, ambitious financing and a blend of dedicated revenues and bond-issue proceeds will provide a total of \$1.9 billion for land preservation and park development plus \$60 million for historic sites over a 10-year period. This is more funding than in the previous four decades combined.

As a result, New Jersey through the Trust has the second largest land preservation program in the nation. The Trust provides funds to three partnering agencies:

- ✓ The Green Acres Program, an office in the Department of Environmental Protection that preserves open lands, watersheds and wildlife habitats, and creates and improves recreational parks.
- ✓ The Farmland Preservation Program, administered by the independent State Agriculture Development Committee, that acquires the development rights on privately owned farmland.
- ✓ Historic Preservation, administered by the independent New Jersey Historic Trust, that provides matching grants to save and rehabilitate important historic buildings.

In partnership with county governments, municipalities, the federal government and nonprofit preservation trusts, these agencies are using GSPT funds to preserve acreage at a rate almost three times faster than land is being lost to development. To support this, the Trust approved a record \$253 million for Green Acres and Farmland Preservation for FY2004.

For financing these and other appropriations, the Trust in FY2004 took advantage of historically low interest rates to increase its borrowing capacity by 15 percent. This was done while staying within the debt service limit of \$98 million a year set by the voters in 1998.

The first important step was the voter referendum in Public Question #1 approved by the voters on Nov. 4, 2003. This referendum amended the New Jersey Constitution to increase the GSPT's debt limit of \$1 billion by another \$150 million in authorized debt. Then on April 7, 2004, the Trust in an 8-0 vote approved a Continuing Bond Resolution for a \$500 million "forward delivery" bond issue that was sold through Bear Stearns on May 5. The May 5th sale secured the way for the final bond issue of the \$150 million that the voters had approved in the November 2003 referendum. *(The Trust would approve a Continuing Bond Resolution on Aug. 18, 2004, and the sale of the \$150 million forward delivery bond issue would occur on Sept. 16, 2004.)*

The GSPT does not have unlimited capacity to pay debt service. The Trust is confined to its annual dedication of \$98 million through FY2029. The innovative transactions of FY2004 were executed to secure the maximum available funds for land preservation and park development within these confines. In combination, the two sales in May and in September 2004 represented one of the largest forward bond issues to date. The GSPT attracted positive attention in the capital markets from institutional investors.

The Trust in FY2004 ramped up its preservation programs with record-setting levels of project approvals. First, the Trust on Oct. 16 approved the largest one-year project list for land preservation and park development in New Jersey history, a total of \$175 million for the Green Acres Program and \$80 million for the Farmland Preservation Program. The subsequent appropriations were enacted in December and January with overwhelming bipartisan support in the Legislature.

Then the Trust closed out the fiscal year laying the groundwork for even larger project lists to be considered by the Trust for Fiscal Year 2005. *(The Trust on July 21, 2004, would approve \$343 million in new funding for projects plus \$12 million in reallocated funds previously approved.)*

The Trust in FY2004 conducted a detailed assessment of all Trust appropriations and of its three trust funds:

The 70 appropriations bills enacted from 1999 to 2004 plus appropriations contained in the FY2000 and FY2003 State budgets were closely examined and painstakingly compared to understand how they affected the trust funds directly. Expenditures from the three trust funds and the expected financial status of these funds through 2009 were analyzed. This work was part of the "due diligence" required for the \$500 million bond issue on May 5 to ensure expenditure forecasts were sound. But even without a bond issue, the accurate, sophisticated measurement and forecasting of appropriations and of expenditures became a core

responsibility of the Trust and will continue to be so.

These efforts also lay the groundwork for what is expected to be the Trust's primary policy initiative of Fiscal Year 2005: the Expenditure Monitoring Program (EMP). Completed in draft form in September 2004, the EMP is a system of forecasting expenditures and responding to shortfalls. The EMP is good practice to ensure the Trust fulfills its extraordinary potential for preserving natural land and farmland in a state that is a national testing ground in the fight to balance well-planned development with land conservation.

The Trust during FY2004 also began a new, cost-effective public relations measure – placing hundreds of signs to mark preserved farmland everywhere in New Jersey.

The Trust during FY2004 had a change of face. In October 2003, Assembly Speaker Albio Sires appointed Robert DiVincent as the Assembly's Democratic representative. In January, a new executive director, Ralph Siegel, and a new deputy director, John Penn, were named. In April 2004, Senate President Richard Codey appointed Dennis Davidson as the Senate's non-Democrat representative. Mr. Davidson was subsequently elected the chairman and Mr. DiVincent the vice-chairman.

2. Public Question #1

Again, overwhelming voter support, this time to raise GSPT financing by an additional \$150 million

The voters in November 1998 took an historic step, replacing the four-decade practice of periodic land-preservation bond issues by approving a stable, annual dedication of \$98 million from the State Sales and Use Tax. This was a constitutional dedication that could not be subsequently altered or amended by lawmakers or governors. It could only be altered or amended by the voters. The Legislature subsequently created the Garden State Preservation Trust to receive these dedicated funds, to approve land preservation and park development expenditures and to leverage the dedicated funds with prudent financing to secure the maximum dollars possible.

The 1998 constitutional referendum also authorized the GSPT to issue up to \$1 billion in bonds to be repaid from the annual \$98 million dedication. This \$1 billion was to be financed to support the 10-year land preservation and park development program. After FY2009, the dedicated funds are to be used to pay the debt service on this ambitious financing.

When the Legislature proposed the November 1998 referendum and in the subsequent year enacted the Garden State Preservation Trust Act, PL. 1999 c. 152, interest rates were around 7%. At those rates, it was a sound estimate that the full \$98 million would be required for debt service on bond issues totaling \$1 billion. By 2003, however, interest rates in all of the capital markets had been in a steady decline and had reached historically low levels. At these lower rates, the Trust would not need the full \$98 million dedicated to pay its debt service. Forecasts showed that if the full \$1 billion permitted were borrowed at an average interest rate of 5.4%, only \$90 million a year or less would be required from FY2010 through FY2029 to pay debt service on these bonds.

State Treasurer John McCormac, who serves as the financing officer of the Trust and all other State authorities, researched the corollary: If the \$98 million payment were fixed from FY2010 to FY2029, could the \$1 billion debt limit instead be increased, and if so, by how much? How much more than \$1 billion could the Trust borrow and still remain safely within the debt service limits imposed by the \$98 million annual dedication? The answer turned out to be \$150 million.

The choice could have been made to reduce future debt service. The Treasurer, in consultation with the Governor's office, the Green Acres Program and the Farmland Preservation Program, concluded the better choice was to leverage the \$98 million to the fullest extent. This was done in recognition of the inflation in real-estate costs and the escalation of development pressure in the Garden State. Additional funding could be especially important with the expanded preservation effort in the Highlands. The additional funding would not require the taxpayers to pay one dollar more than the \$98 million they had authorized in 1998. As a result, Assembly Concurrent Resolution 169, sponsored by Assemblymen Joseph Cryan, D-Union, and Louis Greenwald, D-Camden, was approved June 23 by a vote of 66-13 in the Assembly and 38-0 in the Senate. With this the Legislature placed on the November 2003 ballot a referendum to seek the voters' permission to increase the amount the Trust could borrow.

On Nov. 4th, 2003, voters approved Public Question #1, a referendum to amend the New Jersey Constitution to increase the Trust's authorized debt of \$1 billion by \$150 million. Voters said "yes" **735,872** to **399,243**, a landslide approval rate of 65 percent, the strongest approval percentage of the three voter referendums that appeared on the 2003 ballot.

The Coalition for Conservation played an active role as advocates seeking voter support of Public Question #1. The Coalition for Conservation is an ad-hoc organization of officials from nonprofit agencies that was assembled to support Public Question #1 and to raise funds for a voter approval campaign. In the fall, the Coalition for Conservation began its advocacy work including an advertising campaign funded from private donations.

The Commissioner of Environmental Protection and the Agriculture Secretary were not permitted to openly advocate for a voter referendum but they did embark on a series of public education appearances to publicize land preservation and park development accomplishments. Bradley M. Campbell hosted seven press events between Oct. 1 and Oct. 28 at parks in Newark, Clinton, Trenton, Elizabeth, Voorhees, West New York and Edison. Green Acres Program administrator John S. Watson Jr. (*now assistant commissioner for Natural*

and Historic Resources) added to the DEP's public effort by hosting events in Berkeley Township and Camden. Charles Kuperus likewise hosted seven press events between Oct. 1 and Oct. 29 at preserved Highlands farms in Delaware Township (Hunterdon), Pohatcong, Lafayette, Washington Township (Morris) and Alexandria, and at other preserved farms in North Hanover and Upper Freehold. The Coalition for Conservation also held about half a dozen public events.

Public Question #1 passed in every legislative district and by landslide margins of 60 percent to 70 percent in each of the 21 counties.

3. Financing

Innovative forward financing to protect future funds for preservation

The Trust in Fiscal Year 2004 completed the crucial step in financing what will now be the most well-funded land preservation program in the Northeast and one of the largest state-run efforts ever launched in the United States. This was done with a “forward delivery” bond issue of \$500 million approved by the Trust 8-0 on April 7 and sold on May 5. This financing ensured that any appropriations approved by the Trust would be backed with adequate cash in the trust funds.

The Trust’s May 5th sale of Series 2005A set the stage for a second forward bond issue of \$150 million to be sold in the fall during FY2005. This would complete the \$1.15 billion in financing that was authorized for the Trust in the original GSPT Act of 1999 and in the November 2003 ballot referendum for Public Question #1.

Forward bonds were used for both Series 2005 bond issues in order to fit the debt service on these bonds into the Trust’s income schedule, and also to fit the flow of bond proceeds into the Trust’s appropriations and expenditure plans.

To delay the bond issue without a forward delivery contract would have been to take the risk that rising interest rates would reduce the Trust’s capacity to borrow the full amount that had been authorized. The extra \$150 million authorized by the voters in Public Question #1 would have been in jeopardy. Since the GSPT is limited to an annual debt service of \$98 million through FY2029, the Trust would have been forced to reduce the additional borrowing with each up-tick in interest rates, first downward to perhaps \$120 million, then \$100 million, then \$75 million. Eventually, there may have been nothing left and the voter referendum on Public Question #1 would have become an empty exercise.

Thus the Trust’s financing decisions and policies during FY2004 were for one purpose: to ensure the GSPT’s entire \$1 billion authorized in 1998 and the additional \$150 million authorized in 2003 could be obtained.

The Garden State Preservation Trust was created in 1999 to serve as the financing authority to provide the funds for the Green Acres Program, the Farmland Preservation Program and the New Jersey Historic Trust, each with its own separate trust fund. The GSPT system replaced nine sporadic bond issues that had been approved between 1961 and 1995. Those bond issues had provided \$1.8 billion to the three programs over the course of four decades. The GSPT objective was to produce a similar level of funding within one decade.

The Trust as the financing authority has three core responsibilities:

1. To ensure adequate cash is in the three trust funds.
2. To certify to the Legislature that adequate cash is available to cover any proposed Appropriations bill.
3. To ensure that funds requested for projects are expended in a timely manner as a matter of tax law and good governmental management.

The Trust was established with a limit to the debt it was authorized to issue. The 1998 voter referendum that dedicated \$98 million a year for natural lands, farmland, park development and historic preservation amended the New Jersey Constitution with a clause that also happened to set a borrowing limit of \$1 billion for those efforts.

Following the constitutional amendment, the Legislature in 1999 approved the Garden State Preservation Trust Act which established smaller debt limits of \$200 million a year. If financing was not done in a given year, the debt authorization carried forward into the next year.

At the outset, the Trust received its annual dedication of \$98 million from the sales tax but did no financing. By the end of FY2002 on June 30, the Trust and the Legislature had approved \$613 million in appropriations to the Green Acres Program, Farmland Preservation Program and New Jersey Historic Trust. Yet only \$294 million had accumulated over three years in the trust funds to cover these appropriations.

Because no financing was done during FY2000, FY2001 and FY2002, the debt authorization accumulated at a rate of \$200 million a year. It reached an accumulated total of \$600 million in FY2002. By FY2003, the fourth year of the Trust, the authorized debt increased again to \$800 million.

The Trust's \$500 million bond issue sold in March 2003 provided dramatically needed coverage of these appropriations. It also enabled the Trust to approve more appropriations in FY2003 and then to approve a

record list of land preservation and park development projects for FY2004.

The Series 2003 Bond Issue, sold in March 2003, borrowed \$500 million. This left a balance of \$300 million in authorized debt for the rest of FY2003. This increased by the final \$200 million in FY2004 to an accumulated total of \$500 million. This represented the entire remaining authorized debt for the GSPT under the 1999 Act.

In November 2003 the voters approved Public Question #1 to increase the limit on authorized debt by an additional \$150 million. This \$150 million was added to the authorized debt of \$500 million for a new total of \$650 million for FY2004 and beyond.

Even though the New Jersey Constitution had been amended by the November 2003 voter referendum to increase the Trust's authorized debt, legislation was also needed to amend the GSPT Act of 1999 in order to reflect this increase in total authorized debt to \$1.15 billion.

As work continued to prepare for a bond sale in the spring of 2004, a Senate bill, S-249, sponsored by Senate President Richard Codey, D-Essex, with Sens. Paul Coniglio, D-Bergen, and Andrew Ceisla, R-Monmouth, and an Assembly companion bill, A-2814, sponsored by Assemblymen John McKeon, D-Essex, and Reed Gusciora, D-Mercer, also advanced to amend the GSPT's 1999 statute. This legislation was enacted June 24, 2004 after unanimous approval in both houses.

The November 2003 referendum on Public Question #1 was based on the premise that the low interest rates seen in 2002 and 2003 would enable the GSPT to leverage its annual \$98 million to borrow an additional \$150 million within the confines of the annual dedication. It was the widely held opinion on Wall Street that interest rates had hit a historic low not seen in decades, and that this bottom rate could not be sustained. An abundance of economists and trading firms regarded a rise in interest rates as a virtual certainty, a "not-if-but-when" scenario. The Federal Reserve was widely expected to begin notching up the prime lending rate. (*The Fed did indeed increase rates in July and August, and again in September and November*).

The Trust recognized this risk in the spring of FY2004 and acted. Lacking immediate statutory authority to borrow the full \$650 million, the Trust met on April 7 and approved borrowing the first \$500 million in a "forward delivery" bond issue designated Series 2005A. The vote to approve was 8-0.

The approval of the Series 2005A bond issue helped ensure the GSPT's remaining debt-service capacity would be adequate to borrow the additional \$150 million later. Because the \$500 million was locked in, there was more leeway in securing the final \$150 million.

The resolution to approve the Series 2005A bond issue also ratified the appointment of Bear Stearns as senior managing underwriter. The bonds were sold May 5 to Bear Stearns, which assigned a share of the underwriting management to the investment banks J.P. Morgan, Merrill Lynch & Co. and Morgan Stanley.

The Trust at its April 7 meeting also approved Resolution #04-002, urging prompt enactment of S-249/A-2814 to increase the GSPT's authorized debt limit to the full \$1.15 billion so a bond issue for the final \$150 million could also be executed.

While it may have been possible to wait and issue bonds in later years, this approach would have failed to secure the entire \$650 million for land preservation and park development. The Trust decided it was not its role to take chances or to attempt to predict the market in this way. The role of the Trust is to finance the land preservation and park development programs within the confines of an affordable debt service schedule. Only by selling with a forward delivery could the Trust in 2004 issue the full \$650 million with absolute certainty that the annual receipt of dedicated funds would be sufficient to amortize the entire debt.

Forward delivery bonds required the Trust to authorize interest rates that were higher than prevailing municipal bond "spot" rates. This higher rate was required to compensate the investors who agreed to lock up their money for the Trust's bonds at a fixed interest rate but who would not receive and could not trade those bonds until FY2006.

The Trust's mathematical "break even" point to borrow the full \$650 million was 5.82%. Because the Trust's \$98 million annual dedication to pay debt service is fixed and could not be increased, the interest rate could not exceed the break-even point of 5.82%. If the rates had gone higher, the Trust would have had to reduce its level of borrowing. The extra \$150 million the voters approved in November 2003 would have begun to dwindle.

The May 5 bond sale secured rates ranging from of 5.75% and 5.8% according to the various maturities of the bonds. The May 5 bonds were structured to be the GSPT's longer-term bonds. These two features – the rates and the longer maturity – meant the final \$150 million could be issued as shorter term bonds, which in 2004 appeared less susceptible to rising interest rates. The May 5th sale of \$500 million in Series 2005A was

deliberately designed to make more secure the later sale of the final \$150 million in Series 2005B.

(The Series 2005B bond issue of \$150 million was approved by the Trust 7-0 on Aug. 18 and sold Sept. 16. The interest-rate conditions were favorable enough for the GSPT not only to capture the entire \$150 million but to generate an additional premium of \$21 million on the sale of the bonds. This was by far the largest proportionate premium of the GSPT's three bond issues. It owes to the fact the interest rate margins were so carefully protected during the May 5 sale of \$500 million)

4. Projects

A record in land acquisitions to preserve land before it disappears

Fiscal Year 2004 was historic for the Garden State Preservation Trust because of financing and also because of a record project approval of \$253 million for land preservation and park development projects.

The two are associated. Only with adequate financing in place can the Trust have the confidence to approve a massive list of project requests and to recommend them to the Legislature for appropriation. The Trust's \$500 million bond issue sold in March 2003 enabled the Trust to approve a record list of land preservation and park development projects for FY2004. The approval in April of the Series 2005A forward delivery bond issue of \$500 million secured the future adequacy of the trust funds.

The Green Acres Program presented a record request for \$174,803,000 in projects, state, local and nonprofit, for FY2004. The Trust considered approved these at its Oct 16 meeting. The Farmland Preservation Program also made a record request for \$130,698,000 in projects, state, local and nonprofit, although more than 40 percent of these projects were to be funded from previous bond issue money approved in referendums in 1992 and 1995. Only \$78.4 million of the farmland request would come from new GSPT funds. Despite this, the GSPT Act of 1999 required Trust approval for the entire \$130 million in Farmland Preservation appropriations regardless the source of funds.

Accounting for GSPT trust funds only, the combined land preservation and park development request totaled \$253 million for FY2004. This is a substantial sum for a one-year appropriation, larger than any of the land-preservation bond issues placed before the voters from 1961 to 1987. It was clear the Trust's spending for land preservation and park development was entering a new dimension befitting one of the nation's most well-funded programs.

After the Trust voted to approved the Green Acres Program and Farmland Preservation Program project proposals on Oct. 16, a total of 11 appropriations bills were introduced on Dec. 4, rapidly enacted and signed into law early in January 2004.

The Green Acres Program has multiple program components which were funded by their FY2004 request:

- ✓ State Land Acquisition
- ✓ Local Land Acquisition Grants
- ✓ Local Acquisition Grants to Urban-Aid Municipalities
- ✓ Local Acquisition to Planning Incentive Municipalities
- ✓ Local Recreational Development
- ✓ Local Development in Urban-Aid Municipalities
- ✓ Nonprofit Land Acquisition
- ✓ Nonprofit Recreational Development

Likewise, the Farmland Preservation Program has multiple program components:

- ✓ State Direct Easement Purchase
- ✓ County Easement Purchase
- ✓ County Pinelands Easement Purchase
- ✓ State Fee Simple Purchase
- ✓ Municipal & County Planning Incentive Grants (PIGs)
- ✓ Nonprofit Grants

The Green Acres Program received \$64 million for State land acquisition statewide for natural areas, nonprofit summer camps, historic sites and urban parks, and also for acquisition in 12 specific project areas:

- ✓ Barnegat Bay Greenway
- ✓ Cape May Peninsula
- ✓ Crossroads Of The Revolution sites
- ✓ Delaware & Raritan Canal Greenway
- ✓ Delaware Bay Watershed Greenway
- ✓ Delaware River Watershed Greenway
- ✓ Great Egg Harbor Watershed
- ✓ New York Harbor Estuary
- ✓ Highlands Greenway
- ✓ Pinelands
- ✓ Raritan River Watershed Greenway
- ✓ Ridge And Valley Greenway

Local governments received grants totaling \$63.3 million to acquire land for recreation and conservation. Communities that qualify to be classified as “urban aid” municipalities qualify for a higher share of funding in recognition of the difficulty of local budgeting to provide matching funds. Also, communities that have developed regional “open space and recreation” plans and have a stable source of local funding, such as a special property tax levy, can receive “planning incentive” grants with greater flexibility to meet their preservation or recreation goals.

The largest sum of local grants went to 95 “planning incentive” communities receiving grants totaling \$48.2 million to carry out the next phases of their land preservation and recreation plans. A total of 10 “urban aid” municipalities received \$7.9 million in land acquisition grants. Another 20 municipalities received \$7.3 million in grants for land acquisition.

In addition, 28 nonprofit agencies and conservation land trusts received a total of \$12 million in grants for land acquisition in all 21 counties.

For recreational development, \$30.8 million was awarded to 73 municipalities in 19 counties to develop park and playground facilities. Again, communities that qualify to be classified as “urban aid” municipalities qualify for a higher share of funding to develop and improve their parks. Park development grants totaling \$16.7 million was awarded to 26 of these municipalities. In addition, 47 other municipalities received a total of \$14.1 million to develop or improve park and playground facilities in their community parks.

Along with the municipal grants, Green Acres awarded \$4.5 million in grants to 15 nonprofit agencies and conservation trusts to develop or improve park and playground facilities in urban parks.

The Farmland Preservation Program received \$56.4 million to purchase of development rights on more than 130 farms in 17 counties totaling almost 13,000 acres that would be permanently preserved for agricultural use. County farmland preservation programs received the majority of this sum, \$31 million for 83 farms, to fund the State’s matching share for farmland projects these counties are pursuing. The balance of \$25.4 million for 51 farms is for the State Direct program in which the State preserved the farms itself without the participation of a local program or agency.

In addition, \$20 million was allocated to 42 Planning Incentive Grant (PIG) project areas to allow them to continue the next phase of their multi-year preservation effort. These projects areas have identified 1,143

farms totaling 67,000 acres for preservation over the course of up to 10 years. These project areas range in size and scope from the Lebanon Township project area, with four farms totaling about 200 acres, to the Route 206 project area in southern Burlington County, where 84 farms have been identified for a total of almost 7,500 acres.

Another \$1.9 million was appropriated in grants to two nonprofit land trusts, The Nature Conservancy and the Ridge & Valley Conservancy, to pursue the preservation of 5,600 acres of farmland in Burlington, Somerset, Hunterdon and Warren counties.

The FY2004 project request from the Green Acres Program also represented a new legal dimension for the Garden State Preservation Trust because the 1999 statute had limited annual appropriations to \$200 million. The Trust on Oct. 16 accompanied its approval with a special resolution, #03-008, acknowledging the \$200 million limit in the 1999 Act and formally asking the Legislature to bypass that clause and to exceed the \$200 million limit. This was requested in order to accommodate the larger list of project recommendations. Likewise, S-249 increasing the GSPT's debt authorization by an additional \$150 million also permitted an increase in the \$200 million limit to \$250 million. As a result, the appropriations bills included language with a one-time amendment to the 1999 Act setting aside the \$200 million statutory cap. This was a new step for the Trust but is not an unusual one in government. The State budget legislation itself uses extensive language to enact one-time amendments to dozens if not scores of existing statutes.

The alternative to exceeding the statutory cap would have been to require the Green Acres Program to delay a third of its FY2004 projects for one year merely to comply with a technical guideline. Such delay would have made it virtually certain these targeted acquisition projects would have become more expensive and many would have been lost to development. Instead of encouraging such a delay for an artificial reason, the Green Acres Program suggested – and the Trust agreed – that all project applications recommended for approval should be pursued without delay. *(This policy was followed again when the Trust on July 21, 2004 approved \$342 million in projects from GSPT funds for FY2005.)*

It is impractical in the appropriations process to identify specific parcels and acreage to be preserved or to allocate proposed expenditures to individual municipalities.

In the Green Acres State acquisition programs, for example, requests will target project areas that include many municipalities in several counties. This approach enables Green Acres staff to pursue negotiations and to preserve multiple available tracts of land from willing

sellers within the specified area. The FY2004 Green Acres approval included \$64 million for these State acquisitions, with the largest single component, \$10 million, going to the “Highlands Greenway” project area encompassing all of the Highlands communities in Bergen, Hunterdon, Morris, Passaic, Somerset, Sussex and Warren counties.

Similarly, the FY2004 Green Acres nonprofit recommendation included an \$800,000 grant to the New Jersey chapter of the national Trust for Public Land to pursue land preservation projects in any of 27 towns in 16 counties. Likewise, the New Jersey Conservation Foundation received the same maximum \$800,000 grant to pursue land preservation projects in any of 15 different towns in 11 counties.

The Farmland Preservation Program project requests tend to be more specific because they often list particular farms identified for preservation. But the acres to be preserved on these farms is only an estimate. For example, landowners during negotiations can choose to exclude acreage around their homes from the preservation area, or they may set aside parcels for nonagricultural commercial activities. In addition, the precise acreage to be preserved is often not known until final surveys are completed. In the Planning Incentive Grant (PIG) programs, as with Green Acres, the approved planning incentive areas received a total of \$20 million in grants to carry out the next phases of their farmland preservation plans. While each planning incentive area has a set of specific farms targeted for preservation, there are no means to identify which of those farms will actually be preserved within the confines of the FY2004 appropriation.

The Garden State Preservation Trust component programs preserved 43,208 acres during FY2004 – the equivalent of the entire land area of Wantage Township in the north or, in the south, the entire land area of Egg Harbor Township. Or, in the context of natural lands, the land area preserved during FY 2004 is more than the total land area of High Point, Stokes, Swartswood and Worthington state parks *combined*.

However, these acres were preserved at various levels of state, county and municipal government with varying degrees of State funding approved as appropriations dating back as far as 2000. Because of the nature and timing of preservation planning and landowner negotiations, funds appropriated and acres preserved never fit into the confines of a 12-month fiscal year in which the appropriations are approved.

For example, farmland preserved in December 2003 included a 184-acre farm in Warren County for which funds were appropriated during FY2004, a 135-acre farm in Hunterdon County for which funds had been appropriated in 2001, and a 96-acre Mercer County farm that was

saved using funds not from the GSPT but from a 1992 bond issue referendum.

All tolled, the Farmland Preservation Program preserved 239 farms in 95 municipalities during FY2004 for a total of 17,498 acres. Subtracting weekends and holidays, that is a remarkable average of one 73-acre farm preserved every work day.

On the Green Acres side, 25,710 acres were preserved in 156 different cities and towns in every one of New Jersey's 21 counties by State acquisition of natural lands or by State funding to county and local governments and nonprofit land trusts to acquire open space for conservation or for recreational parks.

5. Trust Funds

Record levels of funds in place to allow record levels of preservation

The Garden State Preservation Trust was initially conceived by the governor and the Legislature in 1998 as a \$1.5 billion program. Since then, the strategy at the Trust has been to increase that sum.

The strategy became a success during Fiscal Year 2004. The success story began with the ballot referendum, Public Question #1, in November 2003 to increase the GSPT's authorized debt. Now, fueled by a grand total of \$1.22 billion in financing, the Trust will have about \$2 billion available for appropriation to natural land and park acquisition, to farmland and historic preservation, and to recreational development over 10 years of appropriations. This is a third more than had first been imagined.

The precise final sum that will be available for appropriations from FY2000 through FY2009 will be fluid according to such variable factors as interest earnings, auction sales of farmland, and staffing costs. But the present snapshot forecast holds that over 10 years, \$1.9 billion would be available to appropriate to the Green Acres Program and Farmland Preservation Program for land preservation and park development, plus a fixed \$60 million for the New Jersey Historic Trust.

Specifically, the Green Acres Program according to the snapshot estimate will have \$1.16 billion, of which \$646 million was appropriated through the end of FY2004 – the midpoint of the 10-year program. The Farmland Preservation Program will have \$744 million, of which \$397 million was appropriated through the end of FY2004.

As for the future, the immediate plan is to ramp up appropriations during FY2005 (*\$342 million*) and again in FY2006, rather than to spread out the funds evenly over the final five years. This increase in annual appropriations was initiated by the Green Acres Program during FY2004. The Farmland Preservation Program would follow suit in FY2005 and FY2006.

The Trust approved these larger requests to expedite timely expenditure of funds and to move quickly in the New Jersey real estate market, where prices increase every day. The emerging priority of the Garden State Preservation Trust is to have all programs increase their rate of expenditure. The pace of expenditure must be increased and then maintained at the increased pace. Larger appropriations mean more projects are on the table. It is expected that with more projects in the works, more closings will occur and more recreational development projects will be completed. The alternative was to shelve or delay good project applications in keeping with an arbitrary limit on appropriations. It makes no sense to delay a good land preservation project, and to then watch the cost of that project increase by the day and to take the risk the land targeted for conservation would be lost forever to poorly planned development.

The Garden State Preservation Trust operates and controls three separate trust funds:

- ✓ Garden State Green Acres Preservation Trust Fund 727
- ✓ Garden State Farmland Preservation Trust Fund 733
- ✓ Garden State Historic Preservation Trust Fund 734

The Green Acres and Farmland trust funds, the two land preservation and park development funds, are the largest and so are of primary concern with regard to fiscal management. These are also the funds that disburse the proceeds of bond issues. As a result, these are the funds that receive the most rigorous scrutiny for compliance with IRS requirements for the timely expenditure of tax-exempt municipal bonds.

The Garden State Historic Preservation Trust Fund is smaller and uses no bond proceeds. It is funded by \$6 million a year drawn directly as a cash transfer from the GSPT's annual \$98 million dedication. By FY2004 this fund had accumulated \$30 million plus interest. Garden State Historic Preservation Trust Fund, therefore, does not come under the legal scrutiny for the timely expenditure of proceeds from tax-exempt bonds. But this does not mean the expenditures in Garden State Historic Preservation Trust Fund can be taken lightly. The historic preservation component of the GSPT represents the first stable funding for this program, a \$60 million component for 10 years. It is larger than most State

trust funds and happens to be larger than many land preservation programs in the United States. Above all, it provides the source of funds for substantial appropriations to protect and preserve New Jersey's varied and irreplaceable historical heritage.

In its first fiscal year, FY2000, the Garden State Preservation Trust's programs established a substantial "gap" between appropriation and expenditure. A total of \$198 million was appropriated but only \$30 million expended, creating an expenditure gap of \$168 million. This was entirely to be expected. Most negotiations and agreements to acquire property, to place development restrictions on farmland or to design, bid and construct recreational facilities will require more than 12 months. Even a 12-month measurement standard is misleading because appropriations legislation has never been enacted on the first day of any given fiscal year. In FY2004, for instance, the Green Acres and Farmland projects were not approved by the Garden State Preservation Trust until the second quarter, October, and the subsequent appropriations bills were not enacted until December and January, midway through the fiscal year. It is not surprising, then, that only a portion of these appropriations would be expended by the end of the fiscal year in June.

This is all the more true for historic preservation projects, which often require years of work in which caution to protect the historic assets and material is more important than speed. Yet it remains important for the Trust to maintain track of the progress of the expenditure of all of its appropriations and the grants which result from them. The GSPT first must honor contractual and regulatory obligations for expenditure associated with the sale of tax-exempt bonds. But there are also the mandates of good management and good government, and the recognition that a request for an appropriation represents a commitment to expend the funds that were appropriated.

The expenditure gap has grown steadily in each fiscal year from FY2000 through FY2003. In FY2004, the gap reached a point of concern. The gap has formed the underpinning of GSPT staff work on the Expenditure Monitoring Program, a policy initiative that began during FY2004 to be adopted by the Trust during FY2005. (*The Garden State Preservation Trust voted 9-0 on Nov. 10, 2004, to adopt the Expenditure Monitoring Program with a specific set of expenditure forecasts and procedures to respond to an expenditure shortfall.*)

Efforts to ramp up land-preservation expenditures must not be confused with some sort of a reckless policy to "get the money out the door." This would be an incorrect reading of the Trust's responsibility to scrupulously manage public funds. Instead, the appropriations in question are earmarked for specific projects that have been deemed critical. If these

projects were critical at the time of appropriation, then they are critical still. It is important then to execute a timely closing to secure permanent preservation. It is important that construction contracts for development projects once awarded are not delayed. A higher volume of more timely closings and an accelerated schedule for construction or recreational facilities will address the urgency to ramp up expenditures. It would be incorrect to say the Trust is placing a greater emphasis on spending. The Trust in fact is placing a greater emphasis on closings, on permanent preservation and on improved parks.

6. Budget & Contracts

Limited spending to execute, manage and explain a historic mission

The Garden State Preservation Trust during Fiscal Year 2004 had an operating budget appropriation of \$468,000 for payroll, office facilities, supplies and agency operations. Of this amount, \$125,132.07 exactly 27 percent, was not used and will not be used.

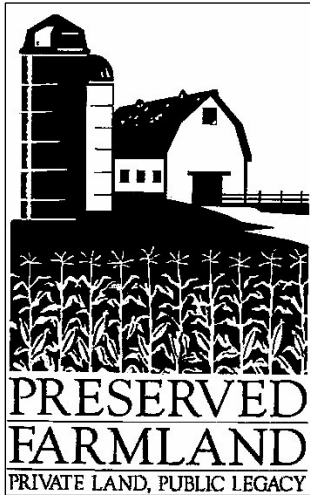
A sum of \$241,147.93 was expended during FY2004. An additional \$101,720 was encumbered and committed to be spent against the FY2004 budget account. This encumbrance represents instances in which the funds are promised but the bills were not received and paid by June 30 at the end of the fiscal year. These encumbered funds represent about a third of the administrative spending. When those bills are paid during FY2005 or beyond, the expenditure will be subtracted from the GSPT's FY2004 budget.

The Trust's money comes "off-budget" from the GSPT trust funds. The GSPT budget discussed in this report does not come from general State appropriation or from annual State revenue. The \$468,000 appropriation for the GSPT, just as the administrative expenses of the Green Acres Program, New Jersey Historic Trust and the Farmland Preservation Program, are drawn from GSPT trust funds at the end of the fiscal year. To preserve accountability, the GSPT budget and the larger administrative budgets for the other programs are submitted and approved as part of the State's FY2004 Appropriations bill enacted by the Legislature and signed by the Governor in June 2003.

Unused funds from the GSPT administrative budget do not revert into the State Budget surplus or some other form of general reserve. At the end of FY2004 the actual amount the GSPT expended or committed to spend for administration – \$342,867.93 – was drawn from the trust funds. The unexpended balance, \$125,132.07 is simply not drawn. The budgeted

figure of \$468,000 for FY2004 is then replaced with the figure of \$342,867.93 expended and encumbered.

The largest expenditure is for staff salaries. This has been the case since the GSPT's inception in 1999. During FY2004 salaried staff constituted the executive director and deputy director. (*A part-time chief of staff would be added during FY2005.*)



The second largest expenditure of FY2004 was an order for 300 "Preserved Farmland" signs for \$81,300 to be produced by the Department of Corrections vocational services operations, known as DeptCOR, in its inmate woodworking and sign shops. These 8-foot-by-4-foot cedar wood signs bear the famous cornfield-and-silo logo and the slogan "Preserved Farmland: Private Land, Public Legacy" reproduced at left. Few signs have been available in recent years but the Trust's acquisition has remedied the problem because it is essential taxpayers be made aware of farmland success stories in their communities to build a foundation of support for the program. The unprecedented size of the order enabled DeptCOR to provide a bargain price with cedar in place of pressure-treated wood for improved durability and appearance.

The Trust in FY2004 employed consultants for financial policy and communications assistance. Evergreen Capital Advisers of Princeton has been a policy consultant for several years because its principal, Daniel Patrick O'Connell, is a nationally recognized authority in land preservation financing. A renewed contract was authorized during FY2004 to maintain these services. A first-time contract was authorized with Riverfront Associates of Trenton as a communications consultant to work on publications and public relations documents. Funds for both contracts were encumbered from the FY2004 budget.

Other expenditures support routine agency and office operations, including a \$150 per diem stipend for the Trust's public members to attend meetings. A full 55% of the GSPT's expenditure is for staff, while only 16% is for expert consultants to help the staff and Trust members. The one-time expenditure in FY2004 for "Preserved Farmland" signs represents 23% of the total spent.

The Trust in Fiscal Year 2004 engaged in professional contracts with consultants, lawyers and advisers through the Department of Treasury

Office of Public Finance for the forward delivery sale of the Series 2005A bond issue of \$500 million. Bear Stearns, one of the world's pre-eminent institutions for municipal bond issues, served as the lead underwriter for the GSPT with investment banks J.P. Morgan, Merrill Lynch & Co., and Morgan Stanley as co-managers.

No fee was paid to the underwriters during FY2004 (*and none will be paid during FY2005.*) Instead, as the underwriters sell the GSPT's \$500 million in bonds as delivered in December 2005, the Trust will grant them an underwriters' "discount" that reduces by less than 1 percent the cash amount the Trust will receive from the \$500 million in bond proceeds. This compensation must be taken in the context that Series 2005A also brought the Trust a total premium of \$23.8 million. This premium is a cash bonus paid by investors in order to secure GSPT bonds. It will cover all financing and other costs of issuing the bonds and leave the Trust with a net premium of \$15.8 million. This is a "bonus" that is free and clear to be used for land preservation and park development projects.

Essential to the bond sale were the financial advisors because the Trust's financing structure, based on dedicated funds, was unusual. The GSPT in many ways was established as an experiment. It was important to ensure the goals and strategies of the Trust and Treasurer were enacted correctly and the financing was structured to fit their goals and strategies. Municipal Advisory Partners of Montclair, most particularly Noreen White, were involved in the first steps of GSPT financing to maximize proceeds for land preservation and park development within the confines of the GSPT's debt caps and the \$98 million in annually dedicated funds. These constraints were further complicated by the decision to issue forward delivery bonds.

The Office of Public Finance selected the underwriters and financial advisor from an approved pool and set the fees, as is done for all State financing through New Jersey independent authorities such as the Trust. Bond counsel was selected by the Office of Public Finance as drawn from a list of bond counsels approved by the Attorney General's office. The Trust ratified these decisions when it approved the Second Continuing Bond Resolution on April 7.

The Trust's bond counsel in FY2004 was DeCotiis Fitzpatrick Cole & Wisler of Teaneck, with attorneys Steve Pearlman and Isabel Miranda assigned to represent the Trust and to ensure the technical perfection required in these bond-issue contracts.

Other required financing services included a printer, a trustee of the funds, a legal counsel for the trustee and credit ratings reports from the three recognized ratings services. These measures are all either required

by law, such as the publication of an Offering Statement, or are prudent means of minimizing interest-rate costs, such as insurance and credit reports. For instance, there is no law requiring a credit rating. But it would be expensive to issue bonds without one. Buyers willing to purchase unrated bonds would demand a substantially higher interest rate. on \$500 million in bonds. The higher debt service would be many times more expensive than the cost of the credit reports.

Likewise, insuring GSPT bonds to add an additional guarantee of repayment allowed for a lower interest rate. There is no real need for insurance since the Trust's dedicated funds of \$98 million a year ensure debt-service payment. The purchase of insurance is strictly a marketing cost calculation. The investment bankers test the market for the cost of bonds with and without insurance. If the cost of obtaining insurance is smaller than the savings in debt service, as was the case with the GSPT bond issue, then insurance is procured.

7. Appendix

***Numbers, tables and charts
show where we have been
and where we are headed***

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Green Acres Land Preservation Acreage Totals By Municipality Fiscal Year 2004

ACREAGE TOTALS COMBINING STATE, LOCAL and NONPROFIT
ACQUISITION PROGRAMS FROM ALL FUNDING SOURCES
INCLUDES GSPT FUNDING ROUNDS FY2000 THROUGH FY2004 PLUS
LOCAL FUNDS, GSPT REALLOCATIONS, OLD GREEN ACRES BOND FUNDS

<u>Atlantic County</u>		<u>ACRES</u>
Absecon		193
Buena Vista		43
Egg Harbor		9
Egg Harbor Township		73
Estell Manor		0.5
Folsom		0.32
Galloway		20
Hamilton		873
Linwood		6
Mullica		251
<u>Bergen County</u>		<u>ACRES</u>
East Rutherford		15
Mahwah		74
Ridgewood		10
<u>Burlington County</u>		<u>ACRES</u>
Bass River		71
Evesham		316
Medford		134
Moorestown		46
Mount Holly		9
Mount Laurel		12
Pemberton Township		8
Southampton		54
Washington		137
<u>Camden County</u>		<u>ACRES</u>
Cherry Hill		1.1
Voorhees		111
Winslow		4
<u>Cape May County</u>		<u>ACRES</u>
Avalon		0.15
Dennis		2
Lower Township		29
Middle Township		17
Ocean City		2
Upper Township		180
Woodbine		266

<u>Cumberland County</u>		<u>ACRES</u>
Bridgeton		75
Commercial		228
Downe		100
Fairfield		50
Hopewell		11
Lawrence		198
Maurice River		355
Millville		437
Stow Creek		51
Vineland		2

<u>Essex County</u>		<u>ACRES</u>
Fairfield		0.23

<u>Gloucester County</u>		<u>ACRES</u>
Deptford		5
Franklin		159
Greenwich		50
Logan		64
Mantua		22
Monroe		247
Washington		30
Woolwich		11

<u>Hudson County</u>		<u>ACRES</u>
Jersey City		0.48

<u>Hunterdon County</u>		<u>ACRES</u>
Alexandria		69
Bethlehem		178
Bloomsbury		45
Clinton		5
Delaware		112
East Amwell		133
Franklin		242
Holland		14
Kingwood		61
Lebanon		125
Readington		279
Stockton		64
Tewksbury		70
Union Township		150
West Amwell		912

<u>Mercer County</u>		<u>ACRES</u>
East Windsor		285
Hopewell		296
Lawrence		1.4
Princeton Township		285
Trenton		2
Washington		27
West Windsor		88

<u>Middlesex County</u>	<u>ACRES</u>
Cranbury	7
East Brunswick	20
Edison	32
Old Bridge	203

<u>Monmouth County</u>	<u>ACRES</u>
Colts Neck	15
Freehold	57
Manalapan	3
Marlboro	20
Middletown	24
Millstone	331
Ocean Township	52
Oceanport	40
Upper Freehold	58
Wall	154

<u>Morris County</u>	<u>ACRES</u>
Chatham Borough	3
Chatham Township	8
Denville	149
East Hanover	98
Hanover	195
Harding	3
Jefferson	1,903
Long Hill	6
Montville	68
Morris Township	24
Mount Olive	619
Netcong	47
Randolph	112
Rockaway	25
Roxbury	26
Washington	20

<u>Ocean County</u>	<u>ACRES</u>
Barneget	0.42
Berkeley	620
Brick	18
Dover	10
Jackson	100
Lacey	209
Little Egg Harbor	616
Manchester	23
Plumsted	358

<u>Passaic County</u>	<u>ACRES</u>
Bloomingtondale	75
Paterson	0.11
Pompton Lakes	0.05
Ringwood	10
Wayne	0.12
West Milford	344

	<u>Salem County</u>	<u>ACRES</u>
Alloway		115
Lower Alloways Creek Township		32
Quinton		219
	<u>Somerset County</u>	<u>ACRES</u>
Bridgewater		14
Franklin		2
Hillsborough		96
Montgomery		103
Peapack Gladstone		13
Warren		47
	<u>Sussex County</u>	<u>ACRES</u>
Andover		111
Byram		142
Frankford		68
Franklin		3
Hardyston		6,440
Montague		101
Ogdensburg		16
Sandyston		3
Sparta		82
Stillwater		1,009
Vernon		156
Wantage		22
	<u>Union County</u>	<u>ACRES</u>
Summit		50
Union Township		5
	<u>Warren County</u>	<u>ACRES</u>
Blairstown		50
Franklin		40
Frelinghuysen		6
Hackettstown		0.29
Hardwick		308
Harmony		499
Independence		54
Knowlton		189
Liberty		271
Lopatcong		25
Mansfield		9
Washington Township		130
White Township		67
COUNTIES		21
TOWNS		155
ACRES		25,710

Farmland Preservation Farm and Acreage Totals Fiscal Year 2004

ACREAGE TOTALS COMBINING STATE, COUNTY, PLANNING INCENTIVE
GRANT and NONPROFIT EASEMENT PURCHASE AND ACQUISITIONS

Atlantic County

	FARMS	ACRES	FUND SOURCE
Buena Borough	1	19	GSPT Funding
Folsom Borough	1	66	FY1999 Budget Appropriation
Galloway	1	15	GSPT Funding
Hammonton	1	59	FY1999 Budget Appropriation
Hammonton	4	183	GSPT Funding

Bergen County

	FARMS	ACRES	FUND SOURCE
Closter	1	11	GSPT Funding
Franklin Lakes Borough	1	6	GSPT Funding

Burlington County

	FARMS	ACRES	FUND SOURCE
Chesterfield	2	108	GSPT Funding
Mansfield	5	319	GSPT Funding
Medford	1	96	GSPT Funding
North Hanover	5	446	GSPT Funding
Pemberton Township	1	64	GSPT Funding
Pemberton Township (& Manchester)	1	594	GSPT Funding
Shamong	1	66	GSPT Funding
Southampton	3	352	GSPT Funding
Springfield	3	233	GSPT Funding

Camden County

	FARMS	ACRES	FUND SOURCE
Voorhees	1	70	GSPT Funding
Waterford	1	33	GSPT Funding
Waterford & Winslow	1	89	GSPT Funding
Winslow	1	35	GSPT Funding

Cape May County

	FARMS	ACRES	FUND SOURCE
Lower Township	1	10	GSPT Funding
Middle Township	1	18	GSPT Funding
Upper Township	1	22	GSPT Funding

Cumberland County

	FARMS	ACRES	FUND SOURCE
Deerfield	1	50	GSPT Funding
Fairfield	2	266	GSPT Funding
Greenwich	1	34	GSPT Funding
Hopewell	2	115	GSPT Funding
Lawrence	3	301	GSPT Funding
Upper Deerfield	2	84	GSPT Funding
Upper Deerfield (& Upper Pittsgrove)	2	241	GSPT Funding

Gloucester County

	FARMS	ACRES	FUND SOURCE
Elk	4	386	GSPT Funding
Franklin	5	252	GSPT Funding
Franklin	1	13	Local Funding
Glassboro	3	42	GSPT Funding
Greenwich	1	23	Local Funding
Monroe	2	365	GSPT Funding
Newfield	1	20	GSPT Funding
South Harrison	4	385	GSPT Funding
South Harrison	2	35	Local Funding
Washington	1	8	GSPT Funding
Woolwich	2	61	GSPT Funding

Hunterdon County

	FARMS	ACRES	FUND SOURCE
Alexandria	5	474	GSPT Funding
Bethlehem	3	256	GSPT Funding
Clinton	1	51	GSPT Funding
Delaware	13	719	GSPT Funding
East Amwell	2	111	GSPT Funding
Franklin	1	81	GSPT Funding
Holland	3	314	GSPT Funding
Kingwood	2	199	GSPT Funding
Lebanon	1	72	GSPT Funding
Raritan	1	30	FY1999 Budget Appropriation
Raritan	2	73	GSPT Funding
Readington	8	351	GSPT Funding
Tewksbury	2	137	GSPT Funding

Mercer County

	FARMS	ACRES	FUND SOURCE
East Windsor	1	25	GSPT Funding
Hamilton	1	20	1995 Bond Funds
Hamilton	1	91	GSPT Funding
Hopewell	1	13	1995 Bond Funds
Hopewell	4	276	GSPT Funding
Lawrence	1	96	1992 Bond Funds
Lawrence	2	40	GSPT Funding
Washington	3	227	GSPT Funding
West Windsor	6	297	GSPT Funding

Middlesex County

	FARMS	ACRES	FUND SOURCE
Cranbury	2	108	GSPT Funding
Old Bridge	1	12	GSPT Funding
Plainsboro	1	24	GSPT Funding
South Brunswick	1	11	GSPT Funding

Monmouth County

	FARMS	ACRES	FUND SOURCE
Colts Neck	2	130	GSPT Funding
Manalapan	1	145	FY1999 Budget Appropriation
Manalapan	2	129	GSPT Funding
Marlboro	1	110	State Owned Land
Millstone	8	432	GSPT Funding
Upper Freehold	1	22	GSPT Funding

Morris County

	FARMS	ACRES	FUND SOURCE
Chester	3	301	GSPT Funding
Randolph	1	83	GSPT Funding
Washington	3	91	GSPT Funding

Ocean County

	FARMS	ACRES	FUND SOURCE
Jackson	1	25	GSPT Funding
Manchester (& Pemberton Township)	1	594	GSPT Funding
Plumsted	1	34	GSPT Funding

Salem County

	FARMS	ACRES	FUND SOURCE
Alloway	1	75	GSPT Funding
Elsinboro	1	30	GSPT Funding
Lower Alloways Creek	3	230	GSPT Funding
Lower Alloways Creek & Quinton	1	104	GSPT Funding
Mannington	1	57	GSPT Funding
Pilesgrove	1	113	GSPT Funding
Pittsgrove	2	216	GSPT Funding
Quinton	3	253	GSPT Funding
Upper Pittsgrove	4	458	GSPT Funding
Upper Pittsgrove (& Upper Deerfield)	2	241	GSPT Funding

Somerset County

	FARMS	ACRES	FUND SOURCE
Bedminster	4	387	GSPT Funding
Hillsborough	6	473	GSPT Funding
Montgomery	1	29	GSPT Funding
Montgomery	3	271	State Owned Land

Sussex County

	FARMS	ACRES	FUND SOURCE
Frankford	1	90	GSPT Funding
Fredon	1	166	GSPT Funding
Hampton	2	122	GSPT Funding
Lafayette	1	92	GSPT Funding
Wantage	4	293	GSPT Funding

Warren County

	FARMS	ACRES	FUND SOURCE
Allamuchy	1	224	GSPT Funding
Blairstown	3	189	GSPT Funding
Blairstown & Hardwick	1	69	GSPT Funding
Franklin	3	169	GSPT Funding
Franklin & Greenwich	1	184	GSPT Funding
Frelinghuysen	4	458	GSPT Funding
Greenwich	2	176	GSPT Funding
Hardwick	1	77	GSPT Funding
Harmony	1	52	GSPT Funding
Independence	1	93	GSPT Funding
Pohatcong	7	737	GSPT Funding
Pohatcong & Alpha	1	145	GSPT Funding
Washington	2	261	GSPT Funding

FY2004 TOTALS

COUNTIES	17
TOWNS	95
FARMS	239
ACRES	17,498

Farmland Preservation Farm and Acreage Totals Fiscal Year 2004 GSPT FUNDS ONLY

ACREAGE TOTALS COMBINING STATE, COUNTY, PLANNING INCENTIVE GRANT
and NONPROFIT EASEMENT PURCHASE AND FEE SIMPLE ACQUISITIONS

Atlantic County

	FARMS	ACRES
Buena Borough	1	19
Galloway	1	15
Hammonton	4	183

Bergen County

	FARMS	ACRES
Closter	1	11
Franklin Lakes Borough	1	6

Burlington County

	FARMS	ACRES
Chesterfield	2	108
Mansfield	5	319
Medford	1	96
North Hanover	5	446
Pemberton Township	1	64
Pemberton Township (& Manchester)	1	594
Shamong	1	66
Southampton	3	352
Springfield	3	233

Camden County

	FARMS	ACRES
Voorhees	1	70
Waterford	1	33
Waterford & Winslow	1	89
Winslow	1	35

Cape May County

	FARMS	ACRES
Lower Township	1	10
Middle Township	1	18
Upper Township	1	22

Cumberland County

	FARMS	ACRES
Deerfield	1	50
Fairfield	2	266
Greenwich	1	34
Hopewell	2	115
Lawrence	3	301
Upper Deerfield	2	84
Upper Deerfield (& Upper Pittsgrove)	2	241

Gloucester County

	FARMS	ACRES
Elk	4	386
Franklin	5	252
Glassboro	3	42
Monroe	2	365
Newfield	1	20
South Harrison	4	385
Washington	1	8
Woolwich	2	61

Hunterdon County

	FARMS	ACRES
Alexandria	5	474
Bethlehem	3	256
Clinton	1	51
Delaware	13	719
East Amwell	2	111
Franklin	1	81
Holland	3	314
Kingwood	2	199
Lebanon	1	72
Raritan	2	73
Readington	8	351
Tewksbury	2	137

Mercer County

	FARMS	ACRES
East Windsor	1	25
Hamilton	1	91
Hopewell	4	276
Lawrence	2	40
Washington	3	227
West Windsor	6	297

Middlesex County

	FARMS	ACRES
Cranbury	2	108
Old Bridge	1	12
Plainsboro	1	24
South Brunswick	1	11

Monmouth County

	FARMS	ACRES
Colts Neck	2	130
Manalapan	2	129
Millstone	8	432
Upper Freehold	1	22

Morris County

	FARMS	ACRES
Chester	3	301
Randolph	1	83
Washington	3	91

Ocean County

	FARMS	ACRES
Jackson	1	25
Manchester (& Pemberton Township)	1	594
Plumsted	1	34

Salem County

	FARMS	ACRES
Alloway	1	75
Elsinboro	1	30
Lower Alloways Creek	3	230
Lower Alloways Creek & Quinton	1	104
Mannington	1	57
Pilesgrove	1	113
Pittsgrove	2	216
Quinton	3	253
Upper Pittsgrove	4	458
Upper Pittsgrove (& Upper Deerfield)	2	241

Somerset County

	FARMS	ACRES
Bedminster	4	387
Hillsborough	6	473
Montgomery	1	29

Sussex County

	FARMS	ACRES
Frankford	1	90
Fredon	1	166
Hampton	2	122
Lafayette	1	92
Wantage	4	293

Warren County

	FARMS	ACRES
Allamuchy	1	224
Blairstown	3	189
Blairstown & Hardwick	1	69
Franklin	3	169
Franklin & Greenwich	1	184
Frelinghuysen	4	458
Greenwich	2	176
Hardwick	1	77
Harmony	1	52
Independence	1	93
Pohatcong	7	737
Pohatcong & Alpha	1	145
Washington	2	261

FY2004 TOTALS GSPT FUNDS ONLY

COUNTIES	17
TOWNS	94
FARMS	224
ACRES	16,617

Total Preserved Open Space and Farmland In New Jersey

Source: NJ DEP
July 2004

THIS TABLE IS NOT AN OFFICIAL PART OF THE GARDEN STATE PRESERVATION TRUST
FY2004 ANNUAL REPORT AND IS NOT SEPARATELY VERIFIED IN THIS REPORT.
IT IS INCLUDED FOR INFORMATIONAL PURPOSES

	Acquired since <u>May of 1997</u>	Total as of <u>June, 2004</u>
Federal Lands	6,412	113,412
State Lands	111,405	681,405
Local Lands with Green Acres funding	28,344	173,344
Local Lands without Green Acres funding	19,046	19,046
Non Profit Lands with Green Acres funding	20,554	52,554
Non Profit Lands without Green Acres funding	1,167	1,167
Other	14,229	14,229
Donated	8,044	8,044
Pinelands Development Credit	24,203	38,766
Subtotal	233,404	1,101,967
Current State Open Space Under Contract	21,161	21,161
Subtotal	254,565	1,123,128
Farmland	127,037	162,010
Total	381,602	1,285,138

All land acquired or farmland restricted before May 1997	903,536
All land acquired or farmland restricted after May 1997	381,602
All land acquired or farmland restricted TOTAL	1,285,138

FY2004 LAND PRESERVATION APPROPRIATIONS RECOMMENDATIONS
ALL FUNDS

Program Component	Request
Farmland State Direct Easement Purchase	\$27,846,060
Farmland County Easement Purchase	\$45,220,823
Farmland State Fee Simple Purchase	\$10,599,816
Farmland Municipal/County Planning Incentive Grants (PIGs)	\$44,031,558
Farmland Nonprofit Grants	\$3,000,000
Green Acres State Land Acquisition	\$64,000,000
Green Acres Local Land Acquisition Grants	\$7,288,300
Green Acres Local Land Acquisition Grants-Urban Aid Municipalities	\$7,851,000
Green Acres Local Land Acquisition-Planning Incentive Grants	\$48,172,500
Green Acres Local Recreational Development	\$30,803,500
Green Acres Nonprofit Land Acquisition	\$11,987,500
Green Acres Nonprofit Recreational Development	\$4,450,750

FY2004 LAND PRESERVATION APPROPRIATIONS RECOMMENDATIONS
GSPT FUNDS ONLY

Program Component	Request
Farmland State Direct Easement Purchase	\$25,400,953
Farmland County Easement Purchase	\$31,008,473
Farmland State Fee Simple Purchase	<i>all old funds</i>
Farmland Municipal/County Planning Incentive Grants (PIGs)	\$20,040,574
Farmland Nonprofit Grants	\$1,900,000
Green Acres State Land Acquisition	\$64,000,000
Green Acres Local Land Acquisition Grants	\$7,288,300
Green Acres Local Land Acquisition Grants-Urban Aid Municipalities	\$7,851,000
Green Acres Local Land Acquisition-Planning Incentive Grants	\$48,172,500
Green Acres Local Recreational Development	\$30,803,500
Green Acres Nonprofit Land Acquisition	\$11,987,500
Green Acres Nonprofit Recreational Development	\$4,450,750

PUBLIC QUESTION #1

Official Ballot Question For November 2003 General Election

INCREASE IN BONDING AUTHORITY FOR STATE'S OPEN SPACE, FARMLAND, AND HISTORIC PRESERVATION PROGRAMS

Shall the amendment to Article VIII, Section II, paragraph 7 of the Constitution of the State of New Jersey, agreed to by the Legislature, increasing, from an amount not to exceed \$1,000,000,000 to an amount not to exceed \$1,150,000,000, to aggregate principal amount of bonds, notes, or other obligations which may be issued by the Garden State Preservation Trust for open space, farmland, and historic preservation purposes and which are payable from the constitutional dedication through State fiscal year 2029 of up to \$ 98 million annually in State revenue from the State tax imposed under the "Sales and Use Tax Act," be approved?

INTERPRETIVE STATEMENT

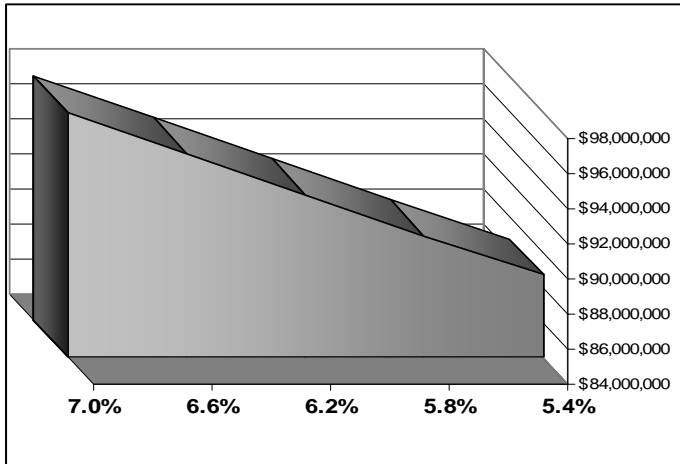
Approval of this constitutional amendment would increase the cap on the total amount of bonds that may be issued by the Garden State Preservation Trust to raise revenue for open space, farmland, and historic preservation efforts in the State. The cap currently is \$1 billion, and this measure, if approved, would increase it by \$150 million, so that the new cap would be \$1.15 billion. The Constitution dedicates for State fiscal years 2000 through 2009 the sum of \$98 million annually, and for State fiscal years 2010 through 2029 the sum of up to \$98 million annually, in State sales and use tax revenue to finance open space, farmland, and historic preservation, including the payment of any debt that may be incurred from the issuance of bonds for those purposes. This measure would make available \$150 million more in bond funding for open space, farmland, and historic preservation but would not increase the amount of the constitutional dedication of up to \$98 million annually in State sales and use tax revenue to be used for such purposes.

Public Question #1 Election Results

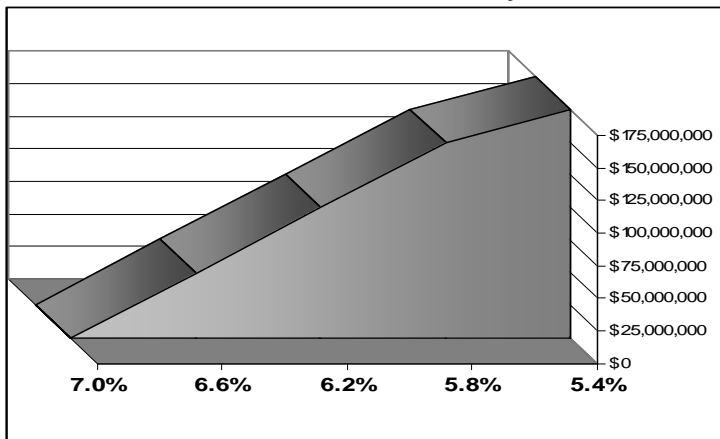
<u>County</u>	<u>YES Count</u>	<u>NO Count</u>	<u>YES Percentage</u>
Atlantic	23,897	15,123	61%
Bergen	86,902	45,666	66%
Burlington	47,714	25,123	66%
Camden	43,761	24,667	64%
Cape May	12,325	7,769	61%
Cumberland	9,948	6,590	60%
Essex	31,374	13,165	70%
Gloucester	33,035	17,750	65%
Hudson	19,936	11,624	63%
Hunterdon	15,964	6,805	70%
Mercer	36,811	16,239	69%
Middlesex	62,857	37,181	63%
Monmouth	66,659	38,257	64%
Morris	49,319	23,736	68%
Ocean	60,945	38,401	61%
Passaic	28,351	16,239	64%
Salem	11,784	6,494	64%
Somerset	32,478	15,851	67%
Sussex	16,374	8,367	66%
Union	32,434	17,261	65%
Warren	13,004	6,935	65%
New Jersey	735,872	399,243	65%

Mathematics behind Public Question #1

When established in 1999, the Garden State Preservation Trust finances were estimated according to contemporary interest rates of 7.0%. Almost the full \$98 million in dedicated funds would be required to pay debt service of the \$1 billion in authorized debt. This table shows that as interest rates decline, less than the full \$98 million is needed pay off the \$1 billion.



The corollary was examined. Instead of reducing debt service payments, what if debt service of \$98 million were fixed? The result was that the amount that could be borrowed above \$1 billion would steadily increase as interest rates fall. This table shows how much additional money above \$1 billion could be borrowed with the steady decline in interest rates.



FUND 727	
GARDEN STATE GREEN ACRES PRESERVATION	
TRUST FUND STATEMENT FOR FY2004	
Fund Balance July 1, 2003	\$307,334,132
Interest & Other Funds	\$3,538,567
Transfers from General Fund (Sales Tax)	\$41,538,173
Total Revenues	\$45,076,740
Total Available	\$352,410,872
Expenditures	\$101,158,374
Transfers to General Fund (Staff Costs)	\$4,562,188
Total Expenditures and Transfers	\$105,720,562
Fund Balance as of June 30, 2004	\$246,690,311

FUND 733	
GARDEN STATE FARMLAND PRESERVATION	
TRUST FUND STATEMENT FOR FY2004	
Fund Balance July 1, 2003	\$238,752,909
Interest & Auction Sale Proceeds	\$5,529,492
Transfers from General Fund (Sales Tax)	\$27,692,116
Total Revenues	\$33,221,608
Total Available	\$271,974,517
Expenditures	\$61,559,478
Transfers to General Fund (Staff Costs)	\$1,650,000
Total Expenditures and Transfers	\$63,209,478
Fund Balance as of June 30, 2004	\$208,765,039

FUND 734	
GARDEN STATE HISTORIC PRESERVATION	
TRUST FUND STATEMENT FOR FY2004	
Fund Balance July 1, 2003	\$16,903,422
Interest	\$183,884
Transfers from General Fund (Sales Tax)	\$6,055,000
Total Revenues	\$6,191,000
Total Available	\$23,142,306
Expenditures	\$2,357,424
Transfers to General Fund (Staff Costs)	\$312,000
Total Expenditures and Transfers	\$2,669,424
Fund Balance as of June 30, 2004	\$20,472,882

FUND 727-733-734	
GARDEN STATE PRESERVATION TRUST	
ALL TRUST FUNDS COMBINED	
Fund Balance July 1, 2003	\$562,990,463
Interest	\$9,251,943
Transfers from General Fund (Sales Tax)	\$75,258,289
Total Revenues	\$84,489,348
Total Available	\$647,527,695
Expenditures	\$165,075,276
Transfers to General Fund (Staff Costs)	\$6,524,188
Total Expenditures and Transfers	\$171,599,464
Fund Balance as of June 30, 2004	\$475,928,232

**Garden State Preservation Trust
Appropriation & Expenditure History**

FY	Appropriation	Cumulative Appropriation	Expenditure*	Cumulative Expenditure
2000	\$198,100,000	\$198,100,000	\$29,805,874	\$29,805,874
2001	\$214,234,200	\$412,334,200	\$90,643,716	\$120,449,590
2002	\$201,056,120	\$613,390,320	\$141,420,674	\$261,870,264
2003	\$201,003,398	\$814,393,718	\$126,045,097	\$387,915,361
2004	\$253,153,550	\$1,067,547,268	\$171,599,464	\$559,514,825

**Garden State Preservation Trust
Appropriation & Expenditure History
*Land Preservation Funds ONLY***

FY	Appropriation	Cumulative Appropriation	Expenditure*	Cumulative Expenditure
2000	\$198,100,000	\$198,100,000	\$29,805,874	\$29,805,874
2001	\$201,900,000	\$400,000,000	\$90,643,716	\$120,449,590
2002	\$200,000,000	\$600,000,000	\$138,750,771	\$259,200,361
2003	\$189,675,000	\$789,675,000	\$119,612,387	\$378,812,748
2004	\$253,153,550	\$1,042,828,550	\$168,930,040	\$547,742,788

**Garden State Preservation Trust
Appropriation & Expenditure FORECAST
*Land Preservation Funds ONLY***

FY	Appropriation	Cumulative Appropriation	Expenditure*	Cumulative Expenditure
2005	\$342,052,450	\$1,384,881,000	\$212,106,000	\$759,848,788
2006	\$256,394,000	\$1,641,275,000	\$222,106,000	\$981,954,788
2007	\$100,000,000	\$1,741,275,000	\$203,106,000	\$1,185,060,788
2008	\$100,000,000	\$1,841,275,000	\$202,106,000	\$1,387,166,788
2009	\$97,855,545	\$1,939,130,545	\$192,606,000	\$1,579,772,788
			Balance***	\$407,245,326

(* "Expenditure" is appropriation plus administrative costs inclusive)

(*** "Balance" is funds remaining for expenditures not yet executed)

Garden State Preservation Trust History of Authorized Debt

TABLE REPRESENT AUTHORIZED DEBT LIMIT WHICH WAS ESTABLISHED AT \$200 million ANNUALLY UNDER PL1999 C.152 TO INCREASE BY \$200 MILLION EACH YEAR THROUGH 2004. LIMIT WAS INCREASED AN ADDITIONAL \$150 MILLION IN NOV. 2003 REFERENDUM

<u>Fiscal Year</u>	<u>Authorized Debt</u>	<u>Amount Borrowed</u>	<u>Remaining Authorized Debt</u>
2000	\$200 million	0	\$200 million
2001	\$200 million	0	\$400 million
2002	\$200 million	0	\$600 million
2003	\$200 million	\$500 million	\$300 million
2004	\$200 million	\$500 million	0
Nov. 2003 Referendum	\$150 million		\$150 million
2005	\$150 million	\$150 million	0

Garden State Preservation Trust Par (Face) Value Financing

<u>Bond Issue</u>	<u>Par Amount</u>	<u>Sale Date</u>	<u>Delivery</u>
Series 2003	\$500 million	Mar-03	Mar-03
Series 2005A	\$500 million	May-04	Dec. 2005
Series 2005B	\$150 million	Sept. 2004	Dec. 2005
Total	\$1.15 billion		

Garden State Preservation Trust

SERIES 2005A			
<u>Maturity</u>	<u>Bond Total</u>	<u>Interest Rate</u>	<u>Yield</u>
2016	\$23,230,000	5.80%	4.95%
2017	\$28,325,000	5.80%	5.00%
2018	\$30,015,000	5.80%	5.07%
2019	\$31,805,000	5.80%	5.13%
2020	\$33,710,000	5.80%	5.20%
2021	\$35,720,000	5.80%	5.26%
2022	\$37,855,000	5.80%	5.33%
2023	\$40,120,000	5.80%	5.38%
2028	\$239,220,000	5.75%	5.38%

Garden State Preservation Trust Bond Issue Summary	
	All Series
Escrow Cash Deposit	\$1,000,506.00
Bond Value	\$1,149,999,410.40
Premium	\$85,969,423.80
Total Funds	\$1,236,969,340.20
Underwriters' Discount	\$6,754,818.21
Cost of Issuance	\$10,608,855.33
Total Costs	\$17,363,673.54
Net Premium	\$69,606,256.26
Total Proceeds	\$1,219,605,666.66
Green Acres TF Distribution	\$761,763,400.00
Farmland TF Distribution	\$457,842,266.66

Garden State Preservation Trust Separate Bond Issue History				
	Series	2003 A&B	2005A	2005B
Escrow Cash Deposit		\$0.00	\$773,456.00	\$227,050.00
Bond Value		\$499,999,410.40	\$500,000,000.00	\$150,000,000.00
Premium		\$39,435,531.80	\$23,834,977.00	\$22,698,915.00
Total Funds		\$539,434,942.20	\$524,608,433.00	\$172,925,965.00
Underwriters' Discount		\$2,658,876.21	\$3,145,692.00	\$950,250.00
Cost of Issuance		\$4,053,622.33	\$5,615,483.00	\$939,750.00
Total Costs		\$6,712,498.54	\$8,761,175.00	\$1,890,000.00
Net Premium		\$32,723,033.26	\$15,847,258.00	\$21,035,965.00
Total Proceeds		\$532,722,443.66	\$515,847,258.00	\$171,035,965.00
Green Acres TF Distribution		\$319,633,466.20	\$309,508,354.80	\$132,621,579.00
Farmland TF Distribution		\$213,088,977.46	\$206,338,903.20	\$38,414,386.00

Underwriters' Costs for Series 2005A \$500 million	
Bond Par Value	\$1,000
Underwriters' Takedown	\$5.00
Underwriters' Expenses	\$1.29
Number of bonds	500,000
Total Value of Bonds	\$500,000,000
Total Underwriters' Discount	\$3,145,692

New Jersey Sales & Use Tax Revenue						
IN MILLIONS	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
S&UT Revenue	5,758.7	5,996.8	5,936.1	6,261.7	6,520.0	7,175.0
Debt Service	530	469.2	470.7	442.5	441.5	185.4
Free Balance	5,228.7	5,527.6	5,465.4	5,819.2	6,078.5	6,989.6
GSPT Dedication	98.0	98.0	98.0	98.0	98.0	98.0
Percentage of GSPT Dedication	1.87%	1.77%	1.79%	1.68%	1.61%	1.40%



GARDEN STATE PRESERVATION TRUST
INTRODUCTION TO FORWARD DELIVERY BOND
TRANSACTIONS
MARCH 23, 2004

This document is intended to provide an introduction to Forward Delivery Bond Transactions by summarizing some general concepts and terms. It is not intended to provide a detailed description or discussion of the specific terms, conditions, risks, or responsibilities associated with such transactions as they may apply to the GSPT, Bear Stearns, or the investment community. Bear Stearns would be pleased to provide such materials to the GSPT upon its request.

I. Current Delivery Bonds

On March 19, 2003, the Garden State Transportation Trust executed a Bond Purchase Contract by which it agreed to sell to a group of retail and institutional investors \$500 million of Open Space and Farmland Preservation Bonds, 2003 Series A and B (“Series 2003 Bonds”) for the primary purposes of (i) funding projects and (ii) paying costs and expenses associated with the Series 2003 Bonds. In accordance with the Bond Purchase Contract, approximately one week later on March 25, 2003, the GSPT delivered the Series 2003 Bonds to investors, and in return the investors delivered a \$500 million payment to the GSPT. Because the period between execution of the Bond Purchase Contract and delivery of the bonds was less than two months in duration, the bonds were designated as “Current Delivery” bonds. Like the GSPT’s Series 2003 Bond issue, the great majority of tax-exempt municipal bond issues are sold on such a Current Delivery basis.

II. Forward Delivery Bonds

Each year, however, a small number of tax-exempt municipal bond issues are sold on a “Forward Delivery” basis, indicating that the period between execution of the Bond Purchase Contract and delivery of the bonds to investors (the “Forward Period”) will be greater than two months. Typically, municipal issuers engage in such Forward Delivery bond transactions in order to (i) comply with specific federal tax regulations or other laws that prohibit the delivery (issuance) of the referenced bond issue in the near term while (ii) today locking-in its borrowing cost based upon today’s interest rates plus a “Forward Delivery Premium”. Generally, the Forward Delivery Premium is composed of (i) an Implied

Forward Premium that is derived mathematically from the yield curve associated with Current Delivery bonds, plus (ii) an Illiquidity Premium that compensates investors for the perceived risks associated with an extended delivery period. In most cases, as the Forward Period increases, the Forward Delivery Premium increases as well.

The market for Forward Delivery Bond Issues (sometimes referred to as “Forwards”) that will be delivered within one year of the execution of the Bond Purchase Agreement is well-developed. Typically, the universe of investors interested in Forwards includes bond funds, insurance companies, corporations, hedge funds and arbitrage accounts. In connection with their purchase of Forwards, such institutional investors generally are required to execute an additional document (“Big Boy Letter”) that affirms their understanding of the special terms, conditions, risks, and responsibilities that are associated with such transactions. Furthermore, institutional investors may be required to meet certain credit tests or to post collateral in order to help ensure their financial capacity to pay for the bonds upon delivery. Retail investors are excluded from Forward Delivery Bond offerings.

The market for Forwards that will be delivered more than one year in the future is limited, with the number of potential investors declining markedly as the Forward Period increases beyond twelve months (especially in a low interest rate environment). A small number of financial institutions (including Bear Stearns, senior book-running manager for the GSPT’s proposed Forwards) are purchasers of and make a market in such “long-dated” Forward Delivery Bond Issues.

Garden State Preservation Trust	
Agency Budget Expenditures <i>and</i> Encumbrances	
Fiscal Year 2004	
<u>ITEM</u>	<u>Sum</u>
Staff Salaries	\$193,200.29
"Preserved Farmland" Signs DeptCOR	\$81,300.00
Consulting Contract: Evergreen Capital Advisers	\$24,800.00
Consulting Contract: Riverfront Associates	\$19,950.00
Treasury Computer Technology Support	\$8,453.00
Telephone Bill	\$4,082.11
Postage & State PO Box	\$2,639.61
Office Supplies	\$1,900.94
Per Diem Meeting Stipends to Public Members	\$1,650.00
Land Trust Alliance Ballot Referendum Conference	\$930.22
Mileage for Travel	\$810.43
Computer Supplies	\$805.13
Copier Lease	\$613.20
Newspaper Subscriptions	\$727.20
Framing	\$300.00
Food Service for GSPT Meetings	\$242.00
Household Supplies	\$231.62
Newspaper Advertising	\$169.70
Printing	\$62.48
Total Expenditures & Encumbrances	\$342,867.93

Garden State Preservation Trust	
Proportions of Agency Budget Expenditures	
Fiscal Year 2004	
<u>ITEM</u>	<u>Percentage</u>
Staff Salaries	56%
"Preserved Farmland" Signs DeptCOR	24%
Consulting Contract: Evergreen Capital Advisers	7%
Consulting Contract: Riverfront Associates	6%
Treasury Computer Technology Support	2%
Telephone Bill	1.2%
Postage & State PO Box	0.8%
Office Supplies	0.6%
Per Diem Meeting Stipends to Public Members	0.5%
(*Other expenditures less than 0.5%)	--

Garden State Preservation Trust	
Agency Budget Actual Expenditures	
Fiscal Year 2004	
<u>ITEM</u>	<u>Sum</u>
Staff Salaries	\$193,200.29
"Preserved Farmland" Signs DeptCOR	\$17,130.00
Consulting Contract: Evergreen Capital Advisers	\$7,200.00
Consulting Contract: Riverfront Associates	\$0.00
Treasury Computer Technology Support	\$8,453.00
Telephone Bill	\$4,082.11
Postage & State PO Box	\$2,639.61
Office Supplies	\$1,900.94
Per Diem Meeting Stipends to Public Members	\$1,650.00
Land Trust Alliance Ballot Referendum Conference	\$930.22
Mileage for Travel	\$810.43
Computer Supplies	\$805.13
Copier Lease	\$613.20
Newspaper Subscriptions	\$727.20
Framing	\$300.00
Food Service for Trust Meetings	\$242.00
Household Supplies	\$231.62
Newspaper Advertising	\$169.70
Printing	\$62.48
Total Expenditures	\$241,147.93

Garden State Preservation Trust	
Agency Budget Encumbrances	
Fiscal Year 2004	
<u>ITEM</u>	<u>Sum</u>
"Preserved Farmland" Signs DeptCOR	\$64,170.00
Consulting Contract: Evergreen Capital Advisers	\$17,600.00
Consulting Contract: Riverfront Associates	\$19,950.00
Total Encumbrances	\$101,720.00

New Members and Staff

Dennis Davidson, chairman: Mr. Davidson attended the University of Tennessee School of Agriculture and is employed as Director of Government Relations and Partnerships at the Delaware & Raritan Greenway, one of the most active nonprofit land preservation trusts in New Jersey. For two decades Mr. Davidson served as a leading administrator of the DEP's Green Acres Program. While at Green Acres, Mr. Davidson developed waterfront parks in nearly every city and worked on the creation of Liberty State Park and the Hudson River Walkway. He was instrumental in designing the Green Acres Development Program, the Green Trust Loan Program, the Grants-to-Nonprofits Program, conservation easement acquisitions and various Pinelands Preservation programs. Over \$1 billion of open space and recreation development money was administered during his tenure. A resident of Delaware Township, Mr. Davidson is married with two sons.

Robert DiVincent, vice chairman: Mr. DiVincent, 52, attended Fairleigh Dickinson University and St. Peter's College in Jersey City. He presently serves as executive director of the West New York, Weehawken and Hoboken housing authorities. He is a veteran of the Air Force Reserve and Army Reserve. He has worked in a family home-contracting business, as a union carpenter, as a real estate broker and as a real estate manager. He entered public service as executive director of the North Bergen Housing Authority in 1979. In 1985 he became a real estate consultant and then a construction manager for the New York City Housing Authority before returning to West New York for his current post in 1994, adding the Weehawken directorship in 1998 and the Hoboken directorship in 2004. Other recent endeavors include serving as executive director of the nonprofit West New York Housing Corporation, which has built 143 units of affordable housing in the city. Mr. DiVincent owns homes in North Bergen and Sparta. He is married with an adult son and daughter.

Ralph Siegel, executive director: Mr. Siegel, 48, attended Rider University, where he later joined the adjunct faculty. As a news reporter he covered farmland preservation in its infancy for various newspapers in Burlington County before joining the Associated Press bureau at the Statehouse. In 2002, Mr. Siegel joined state government as an aide to Treasurer John McCormac on open space issues, working on the Garden State Preservation Trust's Series 2003 bond issue, then on the staff of the State Agriculture Development Committee (SADC). He presently represents the Treasurer on the SADC and on the New Jersey Historic Trust. A resident of Hamilton, Mr. Siegel is married with one daughter. During 2004 U.S. Department of the Interior certified Mr. Siegel as a Licensed Battlefield Guide at Gettysburg National Military Park.

John Penn, deputy executive director: Mr. Penn, 52, is an Air Force veteran. After his honorable discharge in 1985, he went to work for the Department of Commerce and Economic Development until 1991. He then became an investment banker focused on the underwriting of municipal bonds with such firms as Printon Kane Group, E.A. Moos and Reinoso & Co. During this period Mr. Penn was responsible for the underwriting of over \$4 billion in various types of municipal securities. He also worked in structured financing for commercial properties as well as residential mortgages with major lending institutions and brokers. A resident of Lebanon Township, Mr. Penn is married with one daughter.

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FY2004 Meetings

October 16 2003

Approval of Green Acres and Farmland Preservation Program project recommendations of \$253 million for FY2004

December 22 2003

Naming of new executive director and deputy executive director

April 7 2004

Approval Second Continuing Bond Resolution for forward delivery bond issue Series 2005A \$500 million and financing plan for Series 2005B \$150 million.

Approval of Resolution urging enactment of S-249 amending GSPT Act to authorize increasing debt cap to \$1.15 billion

(FY2005 Meetings)

July 21 2004

Approval of Green Acres and Farmland Preservation Program project recommendations of \$342 million for FY2005

Approval of Resolution urging enactment of S-1370 to permit longer-term investment of GSPT trust fund moneys

August 18 2004

Approval of Third Continuing Bond Resolution for forward delivery bond issue Series 2005B \$150 million

November 10 2004

Adoption of Garden State Preservation Trust Expenditure Monitoring Program

Approval of New Jersey Historic Trust project recommendations of \$12 million in GSPT funds for FY2005

April 14 2005

Approval of Green Acres State project recommendations of \$75 million for FY2006

Approval of Resolution and Letters to Members of Congress opposing proposals to reduce or remove tax deduction benefits for land preservation

May 11 2005

Approval of Farmland Preservation Program recommendations of \$98.5 million in GSPT funds for FY2006

June 8 2005

Approval of Green Acres State project recommendations of \$83 million in GSPT funds for FY2006

**Garden State Preservation Trust
Financing**

Series 2003

\$500 million

\$32.7 million premium

Series 2005A

\$500 million

\$15.8 million premium

Series 2005B

\$150 million

\$21 million premium

Series 2003, 2005A&B

\$1.15 billion

\$69.6 million premium

Senior Managing Underwriter

Bear Stearns

Co-Managing Underwriters

J.P. Morgan

Merrill Lynch & Co

Morgan Stanley