

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

Minutes of the meeting of the New Jersey Transportation Trust Fund Authority (“Authority” or “NJTTFA”) held via GoToMeeting from the Office of the Commissioner in the Main Office Building of the New Jersey Department of Transportation, 1035 Parkway Avenue, Trenton, New Jersey on July 16, 2020 at 11:00 AM (EDT).

The following Authority members were present:

- Diane Gutierrez-Scaccetti, Chairperson, NJTTFA; Commissioner, NJDOT
- Michael Kanef, NJTTFA Treasurer (Director, Office of Public Finance, New Jersey Department of the Treasury / Designee for the Honorable Elizabeth Maher Muoio, New Jersey State Treasurer)
- Robert A. Briant, Jr., Public Member, NJTTFA
- Gregory Lalevee, Public Member, NJTTFA
- John J. Duthie, Public Member, NJTTFA

Constituting a quorum of the Members of the Authority.

There were also present:

- Lewis Daidone, Executive Director, NJTTFA; Assistant Commissioner Finance and Administration, NJDOT
- Samuel Braun, Comptroller, NJTTFA; Office of the Assistant Commissioner, Finance and Administration, NJDOT
- Susan Wilkerson, Deputy Attorney General, NJDOL
- Joy Johnson, Governor’s Authorities Unit
- Jackie Brown, Secretary, NJTTFA and NJDOT

- Naileen Rodriguez, Assistant Secretary, NJTTFA; NJDOT
- Joseph Bertoni, Deputy Commissioner, NJDOT
- Andrew Tunnard, Assistant Commissioner, Transportation Operations Systems & Support, NJDOT
- Michael Russo, Assistant Commissioner, Planning, Multimodal, & Grants Administration, NJDOT
- Snehal Patel, Assistant Commissioner, Capital Program Management, NJDOT
- Colleen Wilson – reporter – Bergen Record
- Regina Egea – member of the public

Chairperson Diane Gutierrez-Scaccetti presided at the meeting and Jackie Brown, Authority Secretary, kept the minutes.

Chairperson Diane Gutierrez-Scaccetti convened the meeting at 11:09 AM. She introduced herself and made the following statement:

“I wish to announce that adequate notice of today’s meeting of the New Jersey Transportation Trust Fund Authority has been provided in accordance with the Open Public Meetings Act. Notice was filed with the Secretary of State. This notice was e-mailed and mailed to five [5] newspapers of general distribution (The Trentonian, Trenton Times, Courier Post, Star Ledger, and the Atlantic City Press); posted on the Authority’s website and posted in the main entrance of the New Jersey Department of Transportation’s Headquarters.”

Chairperson Diane Gutierrez-Scaccetti stated that because this is a virtual meeting, members of the Board should identify themselves before making or seconding a motion so that the Secretary can properly record the motions.

Secretary Jackie Brown called the roll. The following acknowledged their presence: Diane Gutierrez-Scaccetti, Robert Briant, Jr., John Duthie, Gregory Lalevee, and Michael Kanef.

Chairperson Diane Gutierrez-Scaccetti acknowledged that a quorum was present.

Chairperson Diane Gutierrez-Scaccetti asked if members of the public were present and members of the public identified themselves.

Chairperson Diane Gutierrez-Scaccetti called the first order of business by requesting a motion to approve the minutes of the Authority's Board meeting held on May 21, 2020.

Greg Lalevee moved to approve the following resolution approving the Authority's May 21, 2020 meeting minutes:

WHEREAS, Article II, Section 2 of the By-laws of the New Jersey Transportation Trust Fund Authority (the "Authority") provides that the minutes of actions taken at the meetings of the Authority be approved by the Authority.

NOW, THEREFORE, BE IT RESOLVED, that the minutes taken at the meeting of May 21, 2020 of the New Jersey Transportation Trust Fund Authority are hereby approved.

The motion was seconded by John Duthie. Chairperson Diane Gutierrez-Scaccetti asked if anyone had any questions or further discussion. The members did not have any questions or discussion on the motion. The members were polled with all members being in favor, and no members opposed; therefore, the motion was carried. Chairperson Diane Gutierrez-Scaccetti declared said motion carried and said resolution adopted.

At this time, Chairperson Diane Gutierrez-Scaccetti asked if there were any comments from members of the public regarding agenda items or other matters before the Board. Hearing no public comment, Chairperson Gutierrez-Scaccetti proceeded with the meeting.

For the next order of business, Chairperson Diane Gutierrez-Scaccetti called upon Executive Director Lewis Daidone to lead a discussion pertaining to the need to appoint an Auditor for the annual audit of the Authority's financial statements. Mr. Daidone stated that Mercadien's term as Auditor ended as of last fiscal year. As a result, thirteen RFP's for audit services for fiscal years 2020 through 2022 were issued on May 15, 2020. Mr. Daidone stated that only one response was received and that was from the incumbent, Mercadien. The Audit Evaluation Committee ("The Committee") met on June 29, 2020 to review Mercadien's response. The Committee found Mercadien to meet the RFP criteria and determined that they were a qualified candidate. The Committee awarded Mercadien a high rated average score and deemed their cost proposal reasonable and appropriate. Mr. Daidone stated Mercadien's proposed fees for fiscal year 2020 are \$15,500; for fiscal year 2021, \$15,750; and for fiscal year 2022, \$16,000. He further stated that a proposed fee of \$16,250 for fiscal year 2023 was also provided, should the NJTTFA Board wish to extend the contract for an additional year. Mr. Daidone stated that the results from the Audit Evaluation Committee, along with Mercadien's proposal, was provided to the Audit Committee. The Audit Committee met on July 6, 2020 and unanimously agreed to propose recommending Mercadien to the Board as the NJTTFA's Auditor for fiscal years 2020 to 2022.

Chairperson Diane Gutierrez-Scaccetti asked if there were any members of the Audit Committee that would like to add anything to Mr. Daidone's presentation. Hearing none, she requested a motion to adopt the resolution entitled Appointment of Auditor for Annual Audit of Financial Statements.

Robert Briant Jr. moved the following Resolution:

APPOINTMENT OF AUDITOR FOR FY 2020 ANNUAL AUDIT OF FINANCIAL STATEMENTS

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

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

WHEREAS, in accordance with Executive Order No. 122 (McGreevey 2004) and the Bylaws of the Authority, the Audit Committee assists the Board in retaining an independent auditor to conduct the annual audit; and

WHEREAS, pursuant to the auditor selection process set forth in Executive Order No. 122 (McGreevey 2004) and the Bylaws, the Evaluation Committee conducts a solicitation and evaluation of eligible auditors and provides a written report to the Audit Committee, which then evaluates the report and makes a recommendation to the Board; and

WHEREAS, on May 15, 2020, the Evaluation Committee distributed the request for proposal for an auditor (“RFP”), a copy of which is attached hereto as Exhibit “A,” to various firms, which RFP provided for the selection of a firm to serve as auditor for the Authority for the three-year term of Fiscal Years 2020, 2021, and 2022 and to perform the annual audits for the Authority for Fiscal Years 2020, 2021, and 2022, which engagement shall be renewable, at the option of the Authority, for a one (1) year term of Fiscal Year 2023, including the performance of the annual audit for Fiscal Year 2023, at the rates set forth in the winning firm’s proposal; and

WHEREAS, the Evaluation Committee received one response to the RFP from Mercadien, P.C. (“Mercadien”), reviewed and evaluated the response from Mercadien, and made a written report to the Audit Committee to accept Mercadien’s proposal, a copy of which is attached hereto as Exhibit “B”; and

WHEREAS, the Audit Committee met on July 6, 2020, considered the Evaluation Committee’s report, a copy of which is attached hereto as Exhibit “C”, and determined to recommend to the Board that it award the contract for auditor to Mercadien; a copy of the Audit Committee’s written recommendation is attached hereto as Exhibit “D”; and

NOW THEREFORE, BE IT RESOLVED, that

1. The Authority hereby acknowledges receipt of the recommendation of the Audit Committee, which recommends that the Authority award the contract for auditor to Mercadien.
2. The Authority hereby authorizes the engagement of the firm of Mercadien to serve as auditor for the Authority for the three-year term of Fiscal Years 2020, 2021, and 2022, and to perform the annual audit for the Authority for Fiscal Years 2020, 2021, and 2022, which engagement shall be renewable, at the option of the Authority, for a one (1) year term of Fiscal Year 2023, including the performance of the annual audit for Fiscal Year 2023, at the rates set forth in Mercadien's proposal.
3. The Authority hereby authorizes the Executive Director to take and do any and all acts and things as may be necessary or desirable in connection with such selection.
4. This Resolution shall take effect upon adoption in accordance with the Act.

Chairperson Diane Gutierrez-Scaccetti asked if anyone had any questions or further discussion. The members did not have any questions or discussion on the motion. Chairperson Gutierrez-Scaccetti asked Executive Director Lewis Daidone if the decision was made to go forward with Mercadien for an additional year in 2023, would the Board need to give their approval. Mr. Daidone responded yes. The above resolution was seconded by Greg Lalevee and adopted on a call of roll as follows:

AYE: 5

NAY: 0

ABSTAIN: 0

ABSENT: 1

Chairperson Diane Gutierrez-Scaccetti declared said motion carried and said resolution adopted.

For the next order of business, Chairperson Diane Gutierrez-Scaccetti called upon Executive Director Lewis Daidone to lead a discussion pertaining to the NJTTFA's proposed Fiscal Year 2021 Financial Plan (the "Financial Plan"). This Financial Plan outlines the financing strategy that will apply to the State highway and transit projects that are proposed for Fiscal Year 2021.

Mr. Daidone stated that each year the NJTTFA must adopt a Financial Plan that includes prior results and an estimate of: bond issuances for the current year; funding sources; amounts appropriated and expended; and obligations for future expenses. Mr. Daidone stated the charts and schedules that provide that information would be the focus of his review. He noted that page 3 of the Financial Plan contained the Summary of Operations for fiscal years 1985 through 2020. He reviewed the actual results, and the unaudited estimated results for fiscal year 2020. Mr. Daidone said that the estimated results for 2020 Total Revenue Sources are projected to be \$3.4 billion; Total Uses to be \$3.7 billion; resulting in a Net Balance of a negative \$254 million. He stated that the last column aggregates Actual and Estimated operations and results in a projected net balance of \$3.8 billion at the end of fiscal year 2020. He also stated that the negative \$3.8 billion Net Balance for Fiscal Years 1985 through 2020 reflects the fact that the NJTTFA only issues bonds or notes to meet projected annual cash flow obligations, not the full value of capital program appropriations.

Mr. Daidone proceeded to discuss page four of the Financial Plan which describes the 2021 Capital Program. He explained that the \$2 billion program is allocated as follows: DOT - \$810 million; NJ Transit - \$760 million; and Local Aid - \$430 million. Mr. Daidone went on to discuss

the Appropriation Table found on page 5 of the Plan. He stated the Table provides information on last year's appropriation and the estimated current year's appropriation based on the Governor's Budget Message issued earlier this year. The total appropriation is comparable to that of the prior year. Mr. Daidone noted that page 6 of the Plan provides the Statement of Anticipated Changes in Cash Position which presents estimated changes in cash position for fiscal year 2021 based on estimated receipts and disbursements. He noted that the projected ending cash balance at the end of fiscal year 2021 is \$752 million. Mr. Daidone remarked that the first sentence on page 8 contained a typo: Fiscal Year 2020 should read Fiscal Year 2021. He continued by stating that this page of the Plan contains the Statutory Debt Limit Chart. This chart indicates that the remaining unused Bonding credit at the end of fiscal year 2021 and is estimated to be \$8.6 billion. Mr. Daidone ended his discussion by stating that page 9 of the Plan provides the estimated budget for fiscal year 2021 for the NJTTFA which totals \$106,000.

Chairperson Diane Gutierrez-Scaccetti requested a motion to approve the resolution accepting the Authority's Fiscal Year 2021 Financial Plan. Greg Lalevee moved to adopt the following Resolution:

**RESOLUTION OF THE NEW JERSEY TRANSPORTATION TRUST FUND
AUTHORITY APPROVING THE FISCAL YEAR 2021 FINANCIAL PLAN AND
AUTHORIZING THE SUBMISSION OF THE FISCAL YEAR 2021 FINANCIAL
PLAN TO THE COMMISSIONER OF THE DEPARTMENT OF
TRANSPORTATION FOR SUBMISSION TO THE GOVERNOR, THE SENATE,
THE GENERAL ASSEMBLY, AND THE TRANSPORTATION POLICY REVIEW
BOARD**

WHEREAS, by virtue of the provisions of Chapter 73 of the Laws of New Jersey of 1984, as amended (the "Act"), N.J.S.A. 27:1B-1 et seq., the New Jersey Transportation Trust Fund Authority (the "Authority") is authorized to issue its bonds, notes, and other obligations (collectively, the "Obligations") from time to time and to sell such Obligations at public or private sale at a price or prices and in a manner as the Authority shall determine; and

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

WHEREAS, on July 16, 2020, the Authority discussed the proposed financing plan for transportation projects for Fiscal Year 2021, attached hereto as Exhibit A (the “Fiscal Year 2021 Financial Plan”); and

WHEREAS, the Authority has determined that it is desirable and in the best interest of the Authority to adopt the Fiscal Year 2021 Financial Plan.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Authority hereby approves the Fiscal Year 2021 Financial Plan.
2. The Authority hereby authorizes the Executive Director to forward on behalf of the Authority a copy of this Resolution, including Exhibit A, which contains the Fiscal Year 2021 Financial Plan, to the Commissioner of the Department of Transportation for submission to the Governor, the Senate, the General Assembly, and the Transportation Policy Review Board.
3. This Resolution shall take effect upon adoption in accordance with the Act.

Chairperson Diane Gutierrez-Scaccetti opened the floor for discussion. Chairperson Gutierrez-Scaccetti requested the Board Secretary, for purpose of this motion, to note the correction of a typo on page 8 under the heading “D” on line one will read fiscal year 2021. Chairperson Diane Gutierrez-Scaccetti asked if anyone had any questions or further discussion. She asked Lewis Daidone if the \$254 million negative balance reflected in the Summary of Operations represented what we will continue to fund in the out years to cover the costs of construction that will be incurred in fiscal year 2021. Mr. Daidone stated that was correct. Chairperson Diane Gutierrez-Scaccetti further noted that cash flow funding is a responsible way

for the Authority to borrow for the purposes of multi-year construction funding. Mr. Daidone agreed with her statement. Chairperson Gutierrez-Scaccetti asked if the numbers in the Financial Plan were estimated in terms of the motor fuel tax and petroleum product fuels tax. Mr. Daidone responded that they were. Chairperson Gutierrez-Scaccetti asked if the Financial Plan would be modified and brought back to the Board should there be any changes to the estimated amounts. Mr. Daidone stated that the Financial Plan is prepared using estimates and published as is because they represent the Authority's best projections based on the best information available at the time the Plan is prepared. He said that the Board will be presented with final numbers once they become available.

Chairperson Diane Gutierrez-Scaccetti asked if any members of the Board had any questions regarding the Financial Plan. Hearing none, the above resolution was seconded by John Duthie and adopted on a call of roll as follows:

AYE: 5

NAY: 0

ABSTAIN: 0

ABSENT: 1

Chairperson Diane Gutierrez-Scaccetti declared said motion carried and said resolution adopted.

There being no further business Chairperson Diane Gutierrez-Scaccetti asked for a motion to adjourn the meeting. Greg Lalevee moved that the July 16, 2020 meeting of the Authority be adjourned. John Duthie seconded the motion, which was carried by unanimous vote.

The July 16, 2020 meeting of the New Jersey Transportation Trust Fund Authority ended at approximately 11:22 AM.

Respectfully Submitted,



Jackie Brown
Secretary of the Authority

**APPOINTMENT OF AUDITOR FOR
FY 2020 ANNUAL AUDIT OF
FINANCIAL STATEMENTS
RESOLUTION “EXHIBIT A”**

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

REQUEST FOR PROPOSAL FOR AUDITING SERVICES

I. PURPOSE

The New Jersey Transportation Trust Fund Authority (the "Authority") was created by the State of New Jersey (the "State") in 1984 to provide a stable, predictable funding mechanism for transportation projects undertaken by the New Jersey Department of Transportation (the "Department"). Transportation projects financed by the Authority include expenditures for the planning, acquisition, design, construction, repair, and rehabilitation of public facilities for ground, water or air transportation of people or goods. The Authority also finances State aid to counties and municipalities for transportation projects. The Authority is governed by seven members including the Commissioner of the New Jersey Department of Transportation (the "Commissioner") and the State Treasurer who serve as ex-officio members.

Through this Request for Proposal (the "RFP"), the Authority is soliciting responses from accounting firms interested in serving as Auditor for the Authority for fiscal years 2020, 2021 and 2022; renewable, at the option of the Authority, for one additional fiscal year (2023). The Authority's fiscal year begins July 1 and ends June 30. The primary purpose of this contract is to complete a full audit of the Authority's financial transactions for each of the fiscal year's noted above. Questions concerning this RFP may be directed to Samuel Braun, Comptroller, NJ Transportation Trust Fund Authority; PO Box 600; 1035 Parkway Avenue; Trenton, NJ 08625 or to Samuel.braun@dot.nj.gov or by phone at 609-963-2307

II. BACKGROUND (for a comprehensive overview see www.state.nj.us/tffa)

A. History

The Authority is a body politic and corporate of the state of New Jersey, with corporate succession, constituted as an instrumentality of the State organized and existing under and pursuant to the New Jersey Transportation Trust Fund Authority Act (the "Act"). The Act was reauthorized in October 2016. For the purpose of complying with Article V, Section IV, Paragraph I of the State Constitution, the Authority is allocated within, but is independent of any supervision or control by, the Department. The purpose of the Authority is to provide the payment for and financing of all or a portion of the costs incurred by the Department for the State transportation system, including, without limitation, (i) the State's share (which may include State advances with respect to any Federal share) under Federal Aid Highway Laws of the costs of planning, acquisition, engineering, construction, reconstruction, repair resurfacing and rehabilitation of public highways, (ii) the State's share (which may include State advances with respect to any Federal share) of the costs of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of public transportation projects and other transportation projects in the State, and (iii) State aid to counties and municipalities for public transportation projects.

The Authority must submit a financial plan to the State Legislature explaining the financing of the transportation system projects that the Department has proposed for the upcoming Fiscal Year. The financial plan must contain an enumeration of the Authority revenues, including (i) the proceeds of any anticipated bond issues, (ii) investment

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income, and (iii) State appropriations. Additionally, the financial plan must include an aggregation of project expenditures for the current Fiscal Year.

Pursuant to the Act, the Commissioner may from time-to-time (but not more frequently than monthly) certify to the Authority an amount necessary to fund payments, made, or anticipated to be made, by or on behalf of the Department. The Authority is obligated to provide such amount from its revenues or other funds, including proceeds from the sale of bonds. The Act directs the Authority, within fifteen (15) days of receipt of the Commissioner's certificate, to transfer funds to the State Treasurer for deposit in a special fund maintained by the State Treasurer (the "Special Transportation Fund") in an amount equal to the amount so certified by the Commissioner. Expenditures from the Special Transportation Fund may be made on behalf of the Department only pursuant to legislative appropriations or authorizations. The Department provides such certificates on a monthly basis, when cash is necessary for transportation system improvement disbursements to minimize the amounts maintained in the Special Transportation Fund.

Debt service is provided for by the constitutionally dedicated revenues derived from all Motor Fuels Taxes and all revenues derived from the Petroleum Products Gross Receipts Tax in each applicable fiscal year, and an amount equivalent to the revenues derived from the tax imposed under the Sales and Use Tax Act on the sale of new motor vehicles of not less than \$200 million for each applicable fiscal year. Statutorily dedicated revenues are derived from Toll Road Authority Contributions, Heavy Truck Registration Fees, and Good Drivers Surcharges. Statutorily dedicated revenues are subject to annual appropriation by the Legislature.

The 2016 reauthorization legislation also authorized bonding of \$12 billion in fiscal years 2017- 2024, the debt service for which will be paid solely from constitutionally dedicated revenues. These funding sources, as well as future pay-as-you-go appropriations from revenue dedications, will satisfy Authority fiscal needs during the reauthorized period.

Fiscal Year 2019 ended with outstanding Transportation System Bond and Transportation Program bond balances of \$19,139,794,842. As of October 31, 2019 the Authority had issued \$1,000,000,000 in 2019 Series BB Transportation Program Bonds for the purpose of paying State Transportation System Costs and re-marketed \$150,000,000 of 2014 Series BB-1 variable rate SIFMA bonds to fixed rate notes. As of December 31, 2019 the Authority issued \$619,775,000 in 2019 Series A and \$946,335,000 in 2019 Series B refunding bonds, for the purpose of reducing its debt service obligations. The refunding included all of the 2009 Series B and a portion of the 2010 Series C Build America Bonds. Bond proceeds are combined with Authority revenues to fund State transportation improvement projects and to defease or refund a portion of the Authority's outstanding bonds. "Revenues" under the Bond Resolution include (i) all amounts appropriated by the State Legislature and paid to the Authority by the State Treasurer from the Transportation Trust Fund Account in the State General Fund, (ii) any other amounts appropriated by the State Legislature and paid to the Authority by the State Treasurer, or received by the Authority from any other source and pledged by the Authority as security for the payment of bonds, and (iii) interest received on any moneys or securities held pursuant to the Bond Resolution.

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B. Flow of Funds

Pursuant to the Bond Resolution, all revenues shall be promptly deposited by the Authority as received into the Transportation Improvement Fund. The Authority shall transfer or credit to the Trustee, for deposit in the following Funds and Accounts, on the following date and in the following order of priority the amounts set forth below, but only to the extent the amount in the Transportation Improvement Fund shall be sufficient therefore:

1. On or before each Payment Date with respect to each Series of Bonds for deposit in the Trustee Debt Service Fund, the amount, if any, so that the balance in the Fund shall equal or exceed the amounts of Debt Service on all Series of Bonds coming due on such Payment Date.
2. On or before the due dates thereof, for deposit in the Debt Service Fund, the amount of any Financing Facility Payment Obligations, *if applicable*.
3. On or before the due dates thereof, and subject and subordinate at all times to the payments, credits or transfers required pursuant to paragraphs 1 and 2 above, for deposit in the Subordinated Debt Fund, the amount of any principal, prepayment or redemption price, interest or other amounts payable in connection with any Subordinated Debt.

C. Systems, Records, and Procedure

1. The Authority maintains its records for the governmental fund financial statements on a modified accrual basis. The State of New Jersey has implemented the changes defined in GASB 34 and any subsequent guidance.
2. All records pertaining to the Authority's Funds are available at the Office of the CFO, Finance and Administration, New Jersey Department of Transportation.
3. State appropriations are paid to the Authority in accordance with an appropriation schedule established by the Office of Management and Budget.
4. All Transportation Improvement Fund expenditures are disbursed by wire to the State's Special Transportation Fund. All disbursements to the Special Transportation Fund must be audited. Monies disbursed from the Special Transportation Fund are not included in this audit.
5. All Authority Operating and Cost of Issuance Expense is disbursed by the Authority's trustee bank by check, wire, or ACH payments, using a disbursement order requiring two authorized signatures. Approximately 100 disbursements were made during the Fiscal Year, which ended June 30, 2019.
6. All securities held by the Authority are purchased through the State's Division of Investments.
7. The Authority's short-term investments are held in the State of New Jersey's Cash Management Fund (Money Market).

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REQUEST FOR PROPOSAL FOR AUDITING SERVICES

8. The State staff that maintains the Authority's books and accounts will be available to assist the auditors.

III. Scope of Services

The principal accounting and auditing activities required of the accounting firm will include:

A. Annual Audit

Perform an annual audit of all the Authority's books, records *and annual financial statements* prepared in accordance with Generally Accepted Accounting Principles *and in accordance with Generally Accepted Audit Standards*, within sixty (60) days of the end of the State Fiscal Year including:

1. Examining deposits, vendors' vouchers, receipted bills, statements and any other supporting documentation.
2. Examining all of the Authority's accounts, obtaining evidence as to the existence of the funds in each account, and determining that fund balances have been classified properly.
3. Verification of monies transferred between different Authority funds and accounts.

B. Signed Reports

The issuance of a signed report(s) of audit to the Authority and Trustee that includes at least (i) a statement of assets and liabilities of all funds (including operational and investments) held by the Authority and the Trustee as of the end of such Fiscal Year, (ii) a statement of revenues, expenses and changes in fund balance of the Authority for such Fiscal Year, (iii) a statement of cash receipts and disbursements of the Authority for such Fiscal Year, (iv) a statement whether the balance in the Debt Service Reserve Account satisfies the requirements of the Bond Resolution and the Grant Anticipation Bond Resolution, if any, and (v) an opinion that the statements fairly present the financial position of the Authority;

C. Accountants Certificate

The issuance of an accountant's certificate as required by the bond trustee banks, which shall state whether or not, to the knowledge of the signer, the Authority is in default with respect to any of the covenants, agreements or conditions on its part contained in the Bond Resolution and the Grant Anticipation Bond Resolution, if any, and if so, the nature of such default.

D. Internal Control Reports

The issuance of separate reports to the Authority assessing the effectiveness of the Authority's internal control procedures, and recommending any changes to those procedures. Internal control assessments should be prepared annually and findings must be discussed in detail with the Authority.

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E. Bond Document Review

The review of the Authority's bond documents for the issuance, when appropriate, of comfort and/or consent letters to facilitate subsequent bond issues of the Authority.

F. Financing Analysis/Review

The review and analysis of traditional fixed rate synthetic fixed rate bonds (auction rate bonds swapped to a fixed interest rate) and Capital Appreciation Bonds.

IV. Information to be Provided in Your Proposal

A. Firm Description

Provide a brief description of your firm. Also, include the most recent Peer Review opinion of your firm with the proposal.

B. Audit Engagement Manager

List the education and experience of the Project/Engagement Manager and Principal/Partner that will be responsible for managing the on-site staff and ensuring quality and schedule goals are met.

C. Key Staff

List the on-site auditors that will be assigned to this audit and include their education and experience.

D. Firm Experience

1. Provide a detailed summary of the firm's recent experience during the prior three calendar years ending December 31, 2019, as an Auditor to large non-profit public agencies that issue bonds. Include the following information:
 - a. Name a minimum of three clients for references with telephone numbers and contact person
 - b. Dates of engagements
 - c. Personnel assigned
2. Describe the firm's experience in developing and reviewing accounting systems for internal control procedures and adequacy.
3. Provide a description of any experience with the analysis of synthetic fixed rate bonds and capital appreciation bonds in the prior two calendar years.
4. Detail the number of government-wide annual audits performed in the last three calendar years in accordance with Governmental Auditing Standards.

E. Cost Proposal

1. Please provide your Cost Proposal as follows:

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- a. Hourly rates for different categories of professionals and break out the work hours by job title for each year of the contract.
 - b. List and provide resumes of employees to be assigned to this project by name and category.
 - c. Provide an estimate of non-labor disbursements if included as an additional cost.
 - d. Compensation for auditing each Fiscal Year in this proposal. Specifically quote fees for 2020, 2021 and 2022.
2. The Authority will require the invoices for each service to include a breakdown of billed hours by date, task description, and personnel assigned.

V. Proposed Evaluation Criteria

The Authority has appointed a committee to review the proposals submitted in response to this request and to make recommendations to the Authority's Board. The committee will review all proposals in light of the major evaluation criteria generally set forth below, which are not in order of importance.

1. The bidder's detailed approach and plans to perform the services required by the Scope of Work Section of this RFP.
2. The bidder's documented experience in successfully completing contracts of a similar size and scope to those required by this RFP.
3. The qualifications and experience of the bidder's management, supervisory or other key personnel assigned to the contract, with emphasis on documented experience in successfully completing work on contracts of similar size and scope to those required by the RFP and a Peer Review with an unqualified opinion.
4. The overall ability of the bidder to mobilize, undertake and successfully complete the contract.

Contract Terms:

The Authority shall notify the contractor of the number of final copies to be delivered. One copy shall be unbound and the other should be provided in an electronic (pdf) file. The distribution of these reports shall be conducted by the Authority.

Audit work papers must be retained for a period of not less than seven (7) years from the date of receipt of the contractor's final payment and be made available to the State and/or Authority when requested. Litigation support is not included in the bid price. The contractor shall provide expert testimony when necessary regarding any litigation resulting from audit work done as part of this contract. Expert testimony support shall be provided at the hourly rates and by the labor titles listed on the contractor's budget for litigation support. The Authority will not assume any liability for the cost of the contractor's legal counsel. If, subsequent to the award of any contract resulting from this Request for Proposal, the contractor shall merge with, or be acquired by another firm, the following documents must be submitted to the Director, Division of Purchase & Property and the Executive Director of the Authority:

- a. Corporate resolutions prepared by the awarded contractor and new entity ratifying acceptance of the original contract, terms, conditions and prices.

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- b. State of New Jersey Bidders Application reflecting all updated information including ownership disclosure.
- c. Vendor Federal Employer Identification Number.
- d. Completed Ownership Disclosure Form. The documents must be submitted within thirty (30) days of completion of the merger or acquisition. It should include the names and addresses of all its owners and potential owners which hold or may acquire 10% or more of its stock or interest. Failure to do so may result in termination of contract.

If subsequent to the award of any contract resulting from this Request for Proposal, the contractor's partnership or corporation shall dissolve, the Director, Division of Purchase & Property and the Authority's Executive Director must be so notified. All responsible parties of the dissolved partnership or corporation must submit to the Director and Executive Director in writing, the names of the parties proposed to perform the contract, and the names of the parties to whom payment should be made. No payment should be made until all parties to the dissolved partnership or corporation submit the required documents to the parties noted above.

VI. Submission of Proposal

One original PDF version to the attention of samuel.braun@dot.nj.gov and four hard copies of your proposal should be sent to Samuel Braun, Comptroller, NJ Transportation Trust Fund Authority, Office of the CFO, Finance and Administration, New Jersey Department of Transportation, 1035 Parkway Avenue, PO Box 600, Trenton, NJ 08625. All proposals will be expected by **2:00 p.m. on June 16, 2020**. Any proposals received after this date and time will not be given any consideration.

The Authority reserves the right to accept a bid for the first year audit only, to reject any and all proposals and to waive any minor irregularities in a bid. Should the Authority accept a multi-year contract, which is subject to annual appropriation, it reserves the right to terminate the contract after the completion of each annual audit.

EXHIBIT “B”

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

**Proposal for Professional Audit Services
for the Fiscal Years Ending June 30, 2020, 2021 and 2022**



June 15, 2020

New Jersey Transportation Trust Fund Authority
Samuel Braun, Comptroller
1035 Parkway Avenue
P.O. Box 600
Trenton, NJ 08625

Dear Mr. Braun:

We welcome this opportunity to demonstrate why New Jersey Transportation Trust Fund Authority (the Authority) should engage Mercadien, P.C., Certified Public Accountants (Mercadien) to provide financial statement audit services for the years ending June 30, 2020, 2021, and 2022. We believe the Authority will continue to benefit from our expertise. Several factors uniquely qualify our firm:

- Significant experience providing auditor services to the Authority in prior years.
- Significant experience performing similar New Jersey state and local authority auditor services.
- Over twenty-five years of experience and thought leadership in providing accounting, auditing and consulting services to various nonprofit and governmental organizations.
- Highly credentialed, knowledgeable team of professionals who understand state and federal laws, regulations and requirements for governmental financial reporting.
- Delivering the Mercadien Client Experience.
- Our long-term commitment to the governmental sector in not only being an auditor, but also an advisor throughout the year.
- Proven experience working remotely with our clients throughout the COVID-19 crisis including the use of Microsoft Teams and Zoom to facilitate the process.

We will conduct the audit of the financial statements prepared in accordance with Generally Accepted Accounting Principles, in accordance with Generally Accepted Audit Standards and *Government Auditing Standards*. Our audit process enables us to comply with our audit and professional standards, as well as allows the Authority to meet its objectives.

We look forward to your response and continuing an excellent working relationship with the Authority.

Sincerely,



Digesh B. Patel, CPA, RMA, MBA, CGMA, PSA
Principal



Warren A. Broudy, CPA, RMA, CGFM, CGMA, PSA
Principal

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Firm Description

The Mercadien Group offers a full spectrum of accounting and advisory services, including traditional audit and financial reporting; internal audit, federal, multi-state and international tax compliance and planning; compliance oversight, risk assessment and litigation support services; management and board consulting, as well as technology and wealth management solutions. Founded in 1963 and comprised of dedicated, experienced and highly credentialed professionals, the firm serves privately-owned companies of nearly every type and industry, as well as financial institutions, nonprofit organizations, government entities, and wealthy individuals and families. The firm provides progressive, relationship-driven financial and strategic services designed to maximize wealth and profitability, minimize taxes and risk, and evaluate systems and processes, while increasing efficiencies, for its many diverse and sophisticated clients.

Mercadien P.C., Certified Public Accountants - For more than 50 years, Mercadien has provided professional accounting services to numerous companies and organizations of varying industries, sizes and structures. In addition to audit and tax, we advise our clients on internal control procedures, accounting systems, cash flow management and budgeting, as well as routine financial operations and sophisticated management advisory issues. Our firm distinguishes itself by providing highly-personalized, forward-thinking, relationship-driven client service, plus a wide range of technical abilities, professional expertise and resources generally available only from national firms. Our principals' professional memberships include the American Institute of Certified Public Accountants (AICPA), Pennsylvania Institute of Certified Public Accountants, New Jersey Society of Certified Public Accountants, and The New York State Society of CPAs, among numerous others. Our Government Services Group and Compliance Oversight Group are also affiliated with AICPA Government Audit Quality Center, Association of Government Accountants, Government Finance Officers Association, and Registered Municipal Accountants Association of New Jersey.

Government Accounting, Auditing, Compliance and Consulting Services

For more than 25 years, we have provided audit, accounting and consulting services on behalf of various governmental entities, including municipalities, counties, and state and local authorities, and have assisted them in the preparation and review of audited financial statements and related financial statement disclosures, unaudited annual financial statements, annual debt statement and supplemental debt statements, and advised them on internal control procedures, accounting systems, cash flow management, consolidation studies, GASB implementation, financial analyses and budgeting. In addition, we have the depth of expertise beyond traditional audit and accounting services, as we also have significant experience related to compliance oversight and consulting services. Our government practice focuses on providing services to our clients which consist of developing, implementing and executing a process whereby we assist entities in maintaining compliance with federal, state and local rules and regulations. Mercadien also provides litigation and forensic services, internal audit, assistance with complex management consulting and advisory services, as well as taxation advisory and tax return preparation services.

We provide the following traditional audit and consulting services to governmental entities and privately held companies:

Accounting advisory services, including federal financial reporting disclosures	Accounting policy and procedure recommendations and implementation
Compliance with local finance notices	Compliance with requirements of audit
Agreed-upon procedures engagements	Connection fee calculations
Annual audits	Continuing disclosure requirement services
Annual financial statement preparation	Cost certification reviews
Annual and Supplemental Debt Statements	Evaluation of trust funds
Arbitrage rebate calculations	Financial analysis
Attendance at rating agency conference calls	Forensic reviews
Bond appendix preparation services	Grant compliance monitoring
Budget assistance	Indirect cost allocation plan
Compilations and reviews	Internal control procedure reviews
Compliance oversight services	Organizational and efficiency reviews
Compliance reviews	Operational reviews
Compliance with federal, state and local government requirements	Issuance of bond consent letters for bond offerings
Compliance with Local Bond Law	Performance audits
Compliance with Local Budget Law	Refunding bond verification services
Compliance with Local Public Contracts Law	Reviews for compliance with bond resolutions
Compliance with New Jersey Administrative Code	Single and Yellow Book audits

Peer Review

We uphold the very highest standards of accounting and auditing services, and because we are a member of the American Institute of Certified Public Accountants (AICPA) Division for CPA firms, we complete an annual review of operations for performance to such standards. As required by the AICPA, we undergo a peer review every three years. Our most recent peer review letter was issued in 2019, when we successfully completed our 14th evaluation. The peer review letter is included in the *Attachments* and we are pleased to note that there is no letter of comments.

Our Professionals

Currently, our professionals by category are as follows:

Staff Level	Firm Count*	Government & Compliance Service Team*	CPAs*	RMAs
Principals (Partners)	21	3	20	3
Directors	7	1	7	
Managers	14	3	9	
Supervisors/Supervising Seniors	19	5	5	
Seniors	13	4	2	
Staff/Entry/Associates	28	8	1	
Other Professionals	32	2	1	
Asset Management Group	4			
Total	138	26	45	3

**As of April 30, 2020*

Additionally, Mercadien has a team of four technical and eight principal administrative assistants, as well as two floating assistants, to provide support to the professional teams. Both a technical and principal assistant would be assisting the team assigned to the Authority with clerical support.

Advanced Degrees and Certifications

Our staff hold a variety of advanced degrees and certifications:

- Certified Public Accountant (CPA)
- Registered Municipal Accountant (RMA)
- Chartered Global Management Accountant (CGMA)
- Certified Government Financial Manager (CGFM)
- Certified in Financial Forensics (CFF)
- Certified Fraud Examiner (CFE)
- Public School Accountant License (PSA)
- Certified Anti-Money Laundering Specialist (CAMS)
- Personal Financial Specialist (PFS)
- Certified Construction Industry Financial Professional (CCIFP)
- Certified Insolvency & Restructuring Advisor (CIRA)
- Certified Public Manager (CPM)
- Enrolled Agent (EA)
- Certified Financial Planner (CFP)
- University master's degrees in business administration, Master of Science in Taxation, Master of Accountancy, and Master of Science in Fraud and Forensics

Diversity at Mercadien

At Mercadien, we value diversity in the workplace. We feel the more diverse we are, the more successful we will be. We have a multilingual workforce, comprised of employees that speak over eleven different languages, which enables us to provide excellent service to all of our clients, both at home and abroad. In addition, we are constantly growing and recruiting from a diverse pool of candidates.

The Mercadien Client Experience

Mercadien is proud of the exemplary service we provide to our clients. Our ability to develop partnerships with our clients is an integral part of our success. Relationships are the core focus of our firm. We have defined the Mercadien Client Experience or MCE, as the level of service all of our clients receive. MCE provides consistent client feedback and experiences when working with Mercadien regardless of service professional. Each client receives a high level of service, passion, and attention to detail from our people. Our proactive approach to client service delivery and relationship-building includes:

- **Knowing Your Client:** We stay perpetually engaged with our clients to ensure we remain abreast of their challenges, goals, industry trends and nuances, and business operations.
- **No Surprises:** Our associates develop a clear understanding of service expectations, strive to meet those expectations, and always seek client feedback. We have a consistent record of meeting our clients' audit filing deadlines in a timely fashion.
- **Communication:** Effective communication is of the utmost priority for a successful engagement. The Authority will have direct contact with Mercadien key professionals by email, phone and in-person as required. It is firm policy that all client calls will be returned within 24 hours or sooner. We will provide regular status updates to the Authority in a format preferred by the Authority (conference call, emails, and/or live meetings). Our team of professionals will be available throughout the year and are also able to attend meetings on short notice. We are proud of our ability to communicate effectively and to work in tandem with our clients.

THE MERCADIEN CLIENT EXPERIENCE



What sets us apart from other firms is our attention to detail and our forward thinking thought leadership. Our detailed level of knowledge about your sector and the environment in which it operates will be of value to your organization. We are proactive rather than reactive, take pride in our hands-on approach to client service, and respond quickly and efficiently to our clients' needs.

Audit Engagement Principal/Manager

The Mercadien team assembled to meet the needs of the Authority possesses a wide range of skill sets, backgrounds, professional certifications and decades of hands-on experience.

Digesh B. Patel, CPA, RMA, MBA, CGMA, PSA will lead the scoping and execution of this engagement, marshaling the appropriate professional resources within the Government Services Group. Digesh is a managing director of The Mercadien Group and a principal with Mercadien, P.C., Certified Public Accountants. In his capacity at Mercadien he is responsible for the Government Services Group's audit processes including, but not limited to, policies and procedures, resolving audit issues, training of staff, and evaluating and implementing internal control policies.

Matthew Daly, CPA will have day-to-day oversight responsibility. Matt is a lead member of the Government Services Group with over ten years of experience and involved in the technical training of the firm's staff on new government, auditing and financial reporting pronouncements.

Additionally, both Digesh and Matt and our other experienced and dedicated team are available to the Authority throughout the year to offer technical assistance as needed or to assist with implementing the most appropriate accounting pronouncements.

Key Staff

Mercadien believes that continuity is important in any engagement. We want our clients to feel confident knowing their engagements are managed by well-trained, committed, and passionate professionals year after year. We strive for staff consistency on all our engagements year to year, thereby creating unique efficiencies and further contributing to the value we provide our clients. From time to time, we may rotate certain engagement team members to bring a fresh set of eyes to the engagement. We take pride in the excellent service we provide our clients, and we pledge that the same superior quality of services will be extended to the Authority.

The engagement team will be finalized once we confirm your timetable and audit readiness. Primarily, the team will consist of Digesh Patel as the primary audit service partner, Matthew Daly as the manager, and Jack Hammell as the supervising senior in-charge. Because the Authority is a highly valued client of ours, we will devote the necessary additional personnel to ensure your audit engagement goes smoothly and that the audit fieldwork is completed within about one week. As the principal ultimately responsible for your services at Mercadien, Digesh will be personally involved in your audit engagement.

Mercadien believes that qualified, experienced staff members are integral to our audit philosophy. All of our accountants are graduates of major universities with degrees in accounting, and many are certified public accountants. It is our standard practice that a senior accountant assigned to a governmental audit will have at least three years of such experience.

Individuals working on your engagement will have satisfied the American Institute of Certified Public Accountants requirement of 120 continuing professional credit hours over a three-year period with a minimum of 20 credit hours per year, as well as United States General Accounting Office requirements of 24 continuing professional credit hours in the governmental auditing area within the last two years. Resumes in this section include:

Staff	Position	Years' Experience	Responsibilities
Digesh Patel, CPA, RMA MBA, CGMA, PSA	Lead Principal	15+	Overall management of the audit engagement and financial reporting
Warren A. Broudy, CPA, RMA, CGFM, CGMA, PSA	Principal	30+	Technical review of engagement.
Matthew Daly, CPA	Manager	10+	Supervise fieldwork and initial review of annual financial statement.
Jack Hammell, CPA, CGFM	Supervising Senior/ In-Charge	5+	Fieldwork, including preparation of any necessary adjusting journal entries.
As needed	Staff	1+	Detailed audit testing.



DIGESH B. PATEL, CPA, RMA, MBA, CGMA, PSA

Managing Director, The Mercadien Group
Principal, Mercadien P.C., Certified Public Accountants

Practice Areas: Government Services, Audit & Assurance,
Risk Management

Contact: dpatel@mercadien.com | 609-689-2410

Digesh Patel is a managing director of The Mercadien Group, a principal in Mercadien, P.C., Certified Public Accountants, and a lead member of the Government Services Group, where he oversees and performs audits of state, local and municipal government organizations. Digesh oversees organizations' financial and compliance audits, as well as agreed-upon procedures and compilations. He also monitors compliance with government auditing standards and bonds and evaluates internal controls.

Digesh specializes in assisting clients in the areas of internal control over financial reporting, budgets, unaudited annual financial statements, annual and supplemental debt statements, bond ordinances and resolutions. He is also involved in the technical training of the firm with new audit and accounting pronouncements, local finance notices issued by the Division of Local Government Services, and hands-on training of professional staff in education and mentoring. In addition to performing financial audits, his expertise also includes audits in accordance with Uniform Guidance and New Jersey Circular Letter 15-08-OMB.

While attending Rider University, Digesh worked part-time for Mercadien as an auditor for the State of New Jersey Lottery Commission, where he observed the lottery drawings and performed agreed-upon procedures. He continues to work on this engagement as an auditor.

Digesh resides with his wife and two sons in Bordentown Township, NJ.

Education: Bachelor's Degree in Accounting & Master of Business Administration, Rider University

Accomplishments: Certified Public Accountant, Registered Municipal Accountant, Chartered Global Management Accountant, Public School Accountant, Special Achievement Award – Association of Government Accountants' Trenton Chapter (2012)

Community Involvement: American Institute of Certified Public Accountants, New Jersey Society of Certified Public Accountants, Association of Government Accountants, New Jersey Association of Counties, Government Finance Officers Association, CASA of Mercer & Burlington Counties (Board Member & Finance Committee Chair), Mercadien Foundation (Board Member)



WARREN A. BROUDY, CPA, RMA, CGFM, CGMA, PSA

Managing Director, The Mercadien Group
Principal, Mercadien P.C., Certified Public Accountants

Practice Areas: Chair – Government Services; Chair – Compliance Oversight Services; Audit & Assurance, Risk Management

Contact: wbroudy@mercadien.com | 609-689-2326

Warren Broudy is a managing director of The Mercadien Group, principal with Mercadien, P.C., Certified Public Accountants, and chair of the firm's Government Services and Compliance Oversight Groups. He brings over 30 years of professional experience in public accounting and the government and commercial sectors to provide appropriate and beneficial audit, compliance and risk management solutions to his clients.

Overseeing all facets of numerous and diverse engagements and leading knowledgeable and credentialed team members with a proven, consistent, proactive approach, Warren helps organizations meet their regulatory and contract compliance requirements; perform effective internal controls and fiscal and programmatic oversight; assess and remediate risks and exposures; improve business processes, reporting systems and decision-making abilities; ensure transparency and accountability; and achieve their financial and strategic objectives.

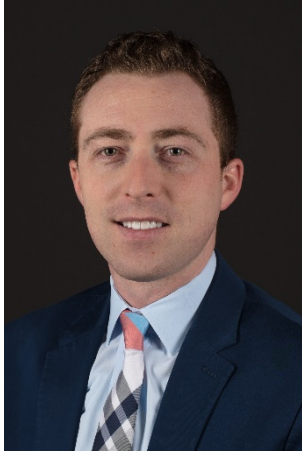
Highly regarded as an expert in audit program design and implementation, budgetary issues and financial reporting practices, Mr. Broudy specializes in performing financial statement and compliance audits, management and financial reporting, and agreed-upon procedures for state and local authorities, state agencies and commissions, municipalities, hospitals, and nonprofit and social service organizations throughout the tri-state area. His experience encompasses services to all entities subject to Uniform Guidance, state and local reporting requirements, Government Auditing Standards, GAAP and other regulatory requirements, as well as services pertaining to promoting interoperability and Medicaid programs.

Warren resides in Mount Laurel, NJ with his wife and their two children.

Education: Bachelor's Degree in Accounting, Temple University

Accomplishments: Certified Public Accountant, Registered Municipal Accountant, Certified Government Financial Manager, Chartered Global Management Accountant, Public School Accountant

Community Involvement: American Institute of Certified Public Accountants, New Jersey Society of Certified Public Accountants, Association of Government Accountants, New Jersey Association of Counties, Government Finance Officers Association, Rutgers University Master of Accountancy Program in Government Accounting (Advisory Board Member), Capital Area YMCA (Board Treasurer)



MATTHEW DALY, CPA

Manager,
Mercadien P.C., Certified Public Accountants

Practice Area: Government Services

Contact: mdaly@mercadien.com | 609-689-2343

Matthew Daly is a manager at Mercadien, P.C., Certified Public Accountants, and a member of its Government Services Group. As a manager overseeing staff, he plans and performs audits and agreed-upon procedures for state and local authorities, state agencies and municipalities. Mr. Daly is also responsible for the evaluation of bond compliance and the completion of audit testing procedures for government client engagements.

Mr. Daly has experience assessing the effectiveness of clients' internal controls, as well as with financial reporting, disclosure and compliance issues of entities subject to Uniform Guidance, OMB 15-08, Government Auditing Standards, and state, local and municipal reporting requirements. Matthew is also an active member of the firm's Associate Advisory Committee.

Mr. Daly resides with his wife Jill in Doylestown, PA.

Education: Bachelor's Degree in Accounting & Finance, Lehigh University

Accomplishments: Certified Public Accountant

Community Involvement: American Institute of Certified Public Accountants, Lymphoma Research Foundation, The Giving Circle (Board Member), Lehigh University Alumni Association



JACK HAMMELL, CPA, CGFM

Supervising Senior Accountant,
Mercadien P.C., Certified Public Accountants

Practice Areas: Government Services, Nonprofit & Human Services,
Audit & Assurance

Contact: jhammell@mercadien.com | 609-689-2447

Mr. Hammell is a supervising senior accountant with Mercadien, P.C., Certified Public Accountants, and is a member of the firm's Government and Nonprofit and Human Services Groups. Jack's responsibilities include testing systems of internal controls, performing analytical reviews, and ensuring staff on engagements are productive. Mr. Hammell also assists in the preparation of audit and financial statements for various nonprofit and government organizations.

Prior to joining Mercadien, Mr. Hammell worked as an accountant for Fedway Associates, Inc. He performed numerous tasks such as month-end closing procedures, bank reconciliations, fixed asset and lease liability reconciliations, and journal entry postings. He also produced quarterly external financial statements in accordance with U.S. GAAP. Jack is skilled in Microsoft Excel, QuickBooks, AS400 global accounting system, Diver, and CCH Workpaper Manager.

Mr. Hammell currently resides in Piscataway, NJ.

Education: Bachelor's Degree in Business Administration with a dual major in Accounting & International Business, Rochester Institute of Technology

Accomplishments: Certified Public Accountant, Certified Government Financial Manager, Raymond Englert Award for Academic Achievement – Rochester Institute of Technology

Community Involvement: American Institute of Certified Public Accountants, New Jersey Society of Certified Public Accountants, Meals on Wheels of New Brunswick (Board Member)

Firm Experience

As the prior auditor of the Authority, and the current auditor of the New Jersey Building Authority, the New Jersey Highlands Water Protection and Planning Council, New Jersey Water Supply Authority, New Jersey Lottery Commission, Casino Reinvestment Development Authority, and Tobacco Settlement Financing Corporation, we have an understanding of the unique requirements of government-wide and governmental fund financial statement audits, including the following:

- The basic financial statements consist of government-wide and governmental fund financial statements.
- The Authority, as a single program government, combines government-wide and governmental fund financial statements, which are linked together by a reconciliation.
- The government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenditures are recognized when incurred.
- The governmental fund financial statements are prepared under current financial resources measurement focus and on the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures are recognized when the related liability is incurred. The exception to this rule is that principal and interest on long-term debt are recognized when due.

We are familiar with all the adjustments needed to convert the Authority's governmental fund financial statements to the government-wide financial statements as required under GASB Statement Number 34 and other applicable requirements per GASB pronouncements. We assisted the Authority in implementing GASB Statement No. 34 and comply with the standard in presenting government-wide financial statements.

For fiscal year end June 30, 2020, the Authority audit will be subject to clarified standards under which the audit will be performed as a group audit since the Authority is a component unit of the State of New Jersey. The state auditor's office is involved in overseeing audit planning and fieldwork performed as part of this group audit. We have experience in working with the state auditor's office and are well aware of the process from other similar engagements.

Our Experience with Developing and Reviewing Internal Control

Risk Assessment Standards (Statement on Accounting Standards Nos. 104 through 114) establish standards and provide guidance concerning the auditors' assessment of the risks of material misstatement (whether caused by fraud or error) in a financial statement audit; design and performance of tailored audit procedures to address assessed risks; audit risk and materiality; planning and supervision; and audit evidence.

Our Experience with the Authority's Financial Background

In the prior three calendar years, Mercadien has had multiple clients, including New Jersey Healthcare Facilities Financing Authority, New Jersey Building Authority and New Jersey Transportation Trust Fund Authority, who currently have or have had financial instrument agreements, such as interest rate swap agreements, in relation to variable rate bonds to achieve a synthetic fixed interest rate. Thus, each entity pays a fixed rate of interest, based on each agreement, on a notional amount equal to the bond principal amount being hedged pursuant to such swap. The fair market value of the swaps was disclosed in each entity's notes to financial statements. Over the past several years, we have also audited clients with various types of bonds including capital appreciation bonds and various forms of defeased or refunded bonds. Lastly, we have also audited multiple clients with constitutionally dedicated revenues and similar flows of funds with the State and various trustees related to bond activity and state collected and appropriated funds. Thus, we are familiar with all related financial reporting and disclosure requirements applicable to the Authority.




Our Experience with Government-Wide Annual Audits

Over the past three calendar years, we have performed government-wide audits in accordance with *Government Auditing Standards* for the New Jersey Building Authority, the New Jersey Highlands Water Protection and Planning Council, New Jersey Water Supply Authority, New Jersey Lottery Commission, Casino Reinvestment Development Authority, Tobacco Settlement Financing Corporation, Delaware River Regional Planning Commission and New Jersey Transportation Trust Fund Authority.

Detailed Approach to Perform the Required Services

In approaching your audit engagement, Mercadien begins with the recognition that an external auditor must fill a dual role, on the one hand serving as an objective reviewer from an outside organization, and at the same time functioning as a team member working with and for the client.

In planning our audits, we work with your management team to make the audit process as rewarding to you as possible. We believe that it is possible for us to gain increased insight into the operations of our clients during the examination process. In doing so, we are often able to provide them with unique recommendations to increase efficiencies and avoid potential internal control or noncompliance issues. Our audit staff is trained to attune itself to the client's organization and to respect and to work around the client's operations to minimize intrusions. Our work will include obtaining an understanding of your system of internal controls over significant transaction cycles and over your bond compliance processes.

Audit Event	Mercadien Audit Plan
Kickoff 	Conduct kickoff meeting based on the proposed timeline to discuss: <ul style="list-style-type: none"> ▪ Timing of the audit ▪ Personnel and the supervision ▪ Preferred communication methods ▪ Documents and assistance required from management
Planning 	<ul style="list-style-type: none"> ▪ Obtain any existing accounting manuals or documented policies and procedures manual ▪ Determine how and where your financial statements may be susceptible to material misstatement due to error or fraud based on a risk-based approach ▪ Identify transaction cycles and account balances to audit based on materiality and risk ▪ Conduct interviews with the appropriate staff members to document our understanding of internal controls ▪ Select transactions from each major transaction cycle and “walk through” transactions to ensure the designed controls are adhered to and exist ▪ Identify operational improvements as applicable and communicate any observations or issues to management to ensure we have a clear understanding ▪ If any operational improvements or issues are identified, we will present our draft report of management recommendations or issues to management first, to allow management to review and confirm our understanding, as well as the most practical solution or approach ▪ Select audit samples and provide to management to gather the documentation necessary
Fieldwork 	<ul style="list-style-type: none"> ▪ Review all supporting documentation for samples selected during planning and perform procedures for areas of audit focus

Our goal is to complete all procedures by the end of the fieldwork weeks and have minimal open items remaining.

Post Fieldwork

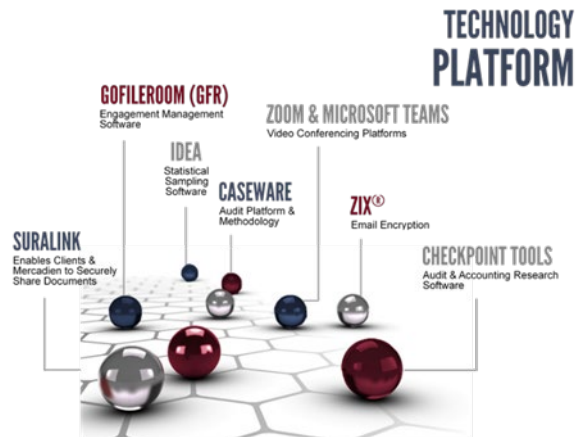
As required by our own quality control process, the audit working papers will be reviewed by the engagement manager assigned to your engagements and the Client Service Principal. We will retain the working papers for three years following the audit report date. Generally, we expect to issue draft financial statements within three weeks of the end of fieldwork, but within the confines of the timetable we set with you. Our financial reporting quality control procedures require a concurring principal not involved with the audit to approve issuance of the financial statements.

We will be available to assist you in the preparation of the financial statements and related notes, including enhancement of the presentation of the financial statements and implementation of GASB standards, if requested, and while maintaining appropriate levels of independence. In an effort to keep the cost of our services to its lowest reasonable level, we expect that you will provide us with all schedules that support the financial statements. We will send out all legal letters and any other confirmations deemed necessary for the audit. We will require appropriate cooperation and a reasonable allocation of time and resources from you and your staff in gaining access to the records and other information we will need to perform timely, efficient and cost-effective services.

Audit Technology

Mercadien uses a paperless audit approach. This approach allows us to work from a central location to capture, manage, share and protect all of our files, both paper and digital. In addition, the security provided through these sophisticated systems also provides another layer of protection for our clients' confidential information.

Additionally, because our clients have the ability to provide requested data electronically, this greatly reduces the manhours required from our clients' personnel, further reducing engagement costs.



Impact of COVID-19 and Remote Capability

Due to the COVID-19 pandemic it may be necessary to perform necessary portions of fieldwork remotely to maintain the safety of both Mercadien and Authority personnel. At the beginning of this engagement we will discuss with Authority management the best possible way to work, while maintaining the integrity of the audit and safety of both parties. Any audit work done remotely will incorporate our state-of-the-art technology, including remote access tools, to access accounting systems and software. We will also continue to be available via email and telephone calls. In addition, we can conduct meetings and work sessions on Zoom or Microsoft Teams platforms. At Mercadien, we have been performing audits and providing consulting work to corporate and government clients remotely using these tools consistently since early March 2020. During this difficult time, we are providing the same seamless and consistent client service that we have provided on a perpetual basis for over 55 years.

We want you to know that you can contact us anytime regarding any aspect of your engagement, or with questions you may have, and feel confident that we will respond promptly.

References

Organization	Contact	Dates of Engagement	Description of Services	Staff Involved
New Jersey Building Authority 50 West State Street 2nd Floor PO Box 292 Trenton, NJ 08625-0292	Wanda Gibson, Administration Operations Manager (609) 943-4835 wanda.gibson@treas.state.nj.us	2004-Current	Annual financial statement audit; agreed-upon procedures-construction projects; agreed-upon procedure engagements to review contract expenditures; bond resolution compliance.	Warren Broudy Digesh Patel Matthew Daly
Tobacco Settlement Financing Corporation 33 West State Street 4th Floor Trenton, NJ 08625	Michele Ridge, Department of the Treasury Office of Management and Budget (609) 292-4242 Michele.Ridge@treas.nj.gov	2008-2010, 2013-Current	Annual financial statement audit; bond resolution compliance.	Warren Broudy Digesh Patel Jack Hammell
New Jersey Water Supply Authority 1851 Highway 31 PO Box 5196 Clinton, NJ 08809	Susan Buckley, Director, Finance and Administration (908) 638-6121 sbuckley@njswa.org	2005-2014, 2017-Current	Annual financial statement and single audits; agreed-upon procedures; arbitrage rebate calculations; bond resolution compliance.	Warren Broudy Digesh Patel Matthew Daly Jack Hammell
Casino Reinvestment Development Authority 15 South Pennsylvania Avenue, Atlantic City, NJ 08401	Kathleen M. Marshall, Chief Financial Officer (609) 347-0500 kmarshall@njcrda.com	2017-Current	Annual financial statement; bond resolution compliance.	Warren Broudy Digesh Patel Matthew Daly Jack Hammell

Cost Proposal

Our fees are based on the time expended by each of our staff and are calculated at their respective standard hourly rates. These rates are established on the basis of staff members' levels of experience and responsibilities, are quite fair, and very competitive with the rates of other CPA firms offering the types of services that we provide.

**New Jersey Transportation Trust Fund Authority
June 30, 2020-2022
Cost Proposal**

	<u>Partner</u>	<u>Manager</u>	<u>Senior</u>	<u>Staff</u>	<u>Total</u>
Hours	14	25	43	43	125
Hourly Rate*	\$ 256	\$ 210	\$ 161	\$ 115	
Audit Cost	<u>\$ 3,584</u>	<u>\$ 5,250</u>	<u>\$ 6,923</u>	<u>\$ 4,945</u>	<u>\$ 20,702</u>

Courtesy Discount (5,202)
Total Maximum Fee 2020 \$ 15,500

	<u>Partner</u>	<u>Manager</u>	<u>Senior</u>	<u>Staff</u>	<u>Total</u>
Hours	14	25	43	43	125
Hourly Rate*	\$ 256	\$ 210	\$ 161	\$ 115	
Audit Cost	<u>\$ 3,584</u>	<u>\$ 5,250</u>	<u>\$ 6,923</u>	<u>\$ 4,945</u>	<u>\$ 20,702</u>

Courtesy Discount (4,952)
Total Maximum Fee 2021 \$ 15,750

	<u>Partner</u>	<u>Manager</u>	<u>Senior</u>	<u>Staff</u>	<u>Total</u>
Hours	14	25	43	43	125
Hourly Rate*	\$ 256	\$ 210	\$ 161	\$ 115	
Audit Cost	<u>\$ 3,584</u>	<u>\$ 5,250</u>	<u>\$ 6,923</u>	<u>\$ 4,945</u>	<u>\$ 20,702</u>

Courtesy Discount (4,702)
Total Maximum Fee 2022 \$ 16,000

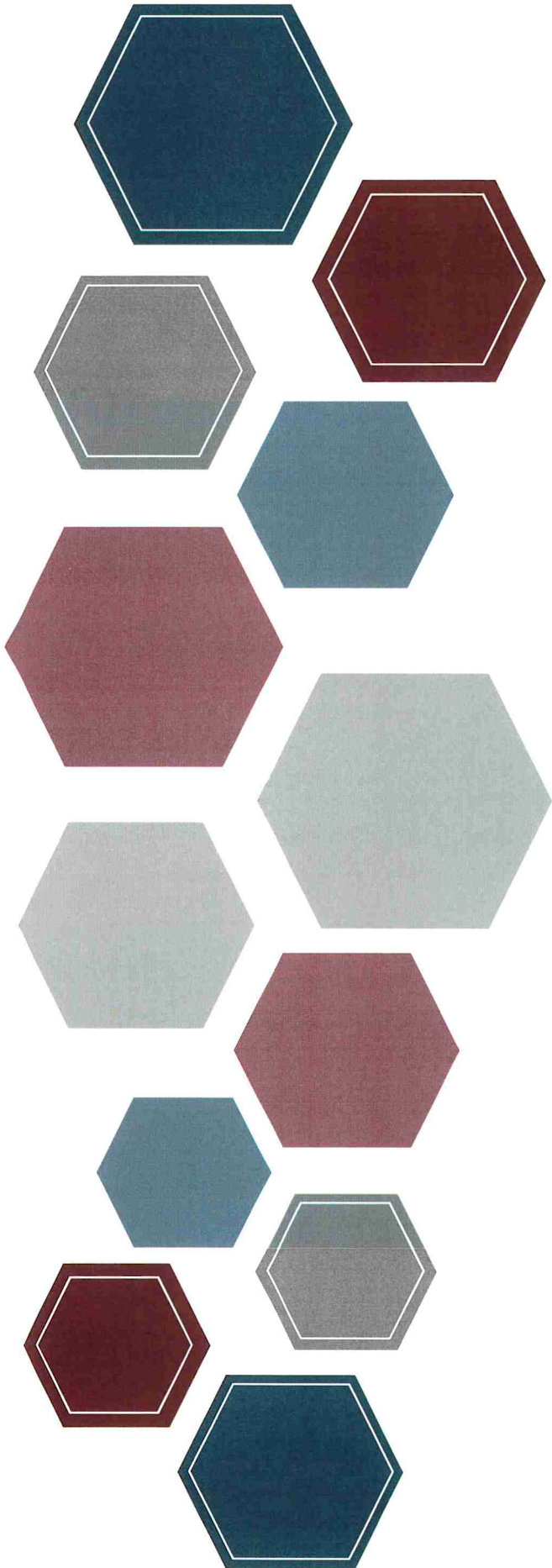
Total Maximum Fee Optional - Year Ending June 30, 2023 \$ 16,250

*Stated rates based on Year 3 rates for State Contract T2458

Our fee is contingent upon the satisfactory condition of the books and records, the records being ready for audit by a mutually agreed-upon date, availability of underlying documentation, and the cooperation of staff in gaining access to the information we need. Should the Authority require additional accounting assistance we will discuss an additional fee arrangement with you before proceeding. We assure you that we will make every effort to hold our time to the absolute minimum necessary commensurate with the effort required. If our time is less than estimated on any engagement, we, of course, always bill you the lesser amount. If we encounter any unforeseen circumstances that may require significantly more time than anticipated, we will notify you promptly of the situation and the estimated added cost before proceeding with the services.

Any additional services will be provided at our standard hourly rates as follows:

Standard State Contract T2458 Hourly Rates	
Principals	\$256
Managers/Directors	\$210
Senior	\$161
Staff/Consultants	\$115



Attachments

Report on the Firm's System of Quality Control

To the Partners of Mercadien, P.C. and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Mercadien, P.C. (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, and an audit of broker-dealer.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Mercadien, P.C. applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Mercadien, P.C. has received a peer review rating of *pass*.

Marcum LLP

Marcum LLP
November 18, 2019

EXHIBIT “C”



**NEW JERSEY TRANSPORTATION TRUST FUND
AUTHORITY**

Philip D. Murphy, Governor | Sheila y. Oliver, Lt. Governor

Members:

The Honorable Elizabeth M. Muoio
The Honorable Diane Gutierrez-Scaccetti, Chairman
Gregory Lalevee, Vice Chairman
Robert A. Briant, Jr.
Nelson Ferreira
John Duthie

June 29, 2020

**Report of the Audit Evaluation Committee
Review of the Responses to the Auditor Request for Proposal**

In Attendance:

Michael Kanef, Member
Gregory Lalevee, Member
Nelson Ferreira, Member

The Evaluation Committee (Committee) solicited responses from qualified audit firms in accordance with Executive Order #122 to perform the audit of the annual financial statements and other services for the New Jersey Transportation Trust Fund Authority (TTFA) for the fiscal year 2020, fiscal year 2021 and fiscal year 2022 and, at the option of the Authority, an extension for no more than one additional fiscal year.

The list of potential firms was solicited from the New Jersey Department of the Treasury, Division of Purchase and Property.

The Committee disbursed thirteen (13) requests for proposal (RFP) and received one (1) response. The responding firm was:

1. Mercadien, P.C.

The Committee members reviewed the response of the firm and determined the firm to be a qualified response. The response addressed all requirements of the RFP as established by the Committee and management of the TTFA.

The firm submitted fees for the annual financial audit as follows:

1. \$15,500 for fiscal year 2020, \$15,750 for fiscal year 2021, and \$16,000 for fiscal year 2022.

There are established fees for management advisory and consulting services in the response for future agreed upon procedures, if deemed necessary.

The Committee hereby determines Mercadien, P.C., to be a qualified candidate to be the NJTTFA auditor for fiscal years 2020, 2021 and 2022, for potential recommendation from the Audit Committee to the Board of Directors of the TTFA. The Committee met on Monday, June 29, 2020.

Respectfully submitted on behalf of the Evaluation Committee,

Michael B. Kanef/MBK

Michael Kanef, Member

EXHIBIT "D"



**NEW JERSEY TRANSPORTATION TRUST FUND
AUTHORITY**

Philip D. Murphy, Governor | Sheila y. Oliver, Lt. Governor

Members:

The Honorable Elizabeth M. Muoio
The Honorable Diane Gutierrez-Scaccetti, Chairman
Gregory Lalevee, Vice Chairman
Robert A. Briant, Jr.
Nelson Ferreira
John Duthie

July 6, 2020

**Recommendation of the Audit Committee Meeting
Review of the Evaluation Committee Report for Auditor**

In Attendance:

Michael Kanef, Member
Joseph Bertoni, Member
Robert A. Briant, Jr., Member

The Audit Committee (the Committee) reviewed the Report of the Audit Evaluation Committee, relating to a review of responses to a request for proposals for a qualified audit firm in accordance with Executive Order #122 to perform the audit of the annual financial statements and other services for the New Jersey Transportation Trust Fund Authority (TTFA) for Fiscal Years 2020, 2021, and 2022, renewable at the option of the Authority for Fiscal Year 2023, as submitted by the Evaluation Committee on June 29, 2020.

The list of potential firms was solicited from the New Jersey Department of the Treasury, Division of Purchase and Property.

The Evaluation Committee disbursed thirteen requests for proposal (RFP) and received only one response. The responding firm was Mercadien, P.C.


The Evaluation Committee members reviewed the response of the firm and determined the firm to be a qualified response. The response addressed all requirements of the RFP as established by the Committee and management of the TTFA.

The firm submitted fees for the annual financial audit as follows: \$15,500 for Fiscal Year 2020, \$15,750 for Fiscal Year 2021, and \$16,000 for Fiscal Year 2022.

There are established fees for management advisory and consulting services in the response for future agreed upon procedures, if deemed necessary.

The Audit Committee hereby recommends Mercadien, P.C., to the Board as a qualified candidate to be the TTFA auditor for Fiscal Years 2020, 2021 and 2022 for approval by the Board of Directors of the TTFA. The Committee met on Monday, July 6, 2020.

Respectfully submitted on behalf of the Audit Committee,


Robert A. Briant Jr., Member

**APPROVAL OF AUTHORITY'S FINANCIAL
PLAN FOR FISCAL YEAR 2021
RESOLUTION "EXHIBIT A"**



New Jersey Transportation Trust Fund Authority Fiscal Year 2021 Financial Plan

Plan for Financing Anticipated NJDOT/NJ TRANSIT Capital Program Outlays for Fiscal Year 2021

*Prepared by the
New Jersey Transportation Trust Fund Authority*

June 2020

As of July 16, 2020

Philip D. Murphy, Governor
Sheila Y. Oliver, Lt. Governor

Diane Gutierrez-Scaccetti, Commissioner
Lewis Daidone, Executive Director

I. Introduction

New Jersey Transportation Trust Fund Authority's 2021 Financial Plan

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

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

In October 2016, the TTFA Act was reauthorized by the State Legislature to provide for an 8-year, \$16.0 billion program, funded by a combination of current revenues (also referred to as Pay-As-You-Go or “PAYGO”) and \$12 billion in bonding authorization, both of which were supported by the Motor Fuels Tax (MFT) and the Petroleum Products Gross Receipts Tax (PPGRT). The reauthorized TTFA Act increased the PPGRT in November 2016. It was increased again in October 2018, reflecting a provision of the 2016 legislation allowing the State to adjust the rate contingent upon revenues meeting the Highway Fuel Cap revenue target for the fiscal year. The increase in bond authorization via constitutional amendment was approved by the voters in the November 2016 general election. The 2016 TTFA Act constitutionally dedicated all amounts equivalent to the collection of MFT revenues and PPGRT revenues for transportation purposes.

The TTFA funds its programs through annual State appropriations of revenues received from the Motor Fuels Tax (MFT), Petroleum Products Gross Receipts Tax (PPGRT), Sales and Use Tax, toll road contributions, investment earnings, and the incurrence of debt. The Fiscal Year 2020 Appropriations Act reflected an annual Statewide Transportation Capital Program of \$2.0 billion. The Fiscal Year 2021 Governor’s Budget Message retains a Statewide Transportation Capital Program of \$2 billion.

To fund Fiscal Year 2020 capital projects the TTFA issued \$1.0 billion in 2019 Series BB Transportation Program Bonds. Other resources included the remaining proceeds from the Fiscal Year 2019 Series AA Transportation Program Bonds and \$872.6 million from an off budget resource, the Subaccount for Capital Reserves (SACR), comprised of PAYGO funding of \$537.8 million and \$334.8 million for project costs eligible for federal reimbursement, respectively.

To fund Fiscal Year 2021 capital projects the TTFA plans to issue \$1.5 billion in Transportation Program Bonds. Other resources include the remaining proceeds of the Fiscal Year 2019 Series BB Transportation Program Bonds and an estimated \$491.0 million from the SACR, comprised

Fiscal Year 2021 Financial Plan

of PAYGO funding of \$198.8 million and \$292.2 million for project costs eligible for federal reimbursement. The significant reduction in PAYGO funding is mainly due to significant declines in estimated Fiscal Year 2020 and 2021 PPGRT revenue as a result of the coronavirus pandemic.

II. Prior Years' Results

The following table summarizes the results of the TTFA's operations for Fiscal Years 1985 through 2019 as well as the unaudited estimated results of operations for Fiscal Year 2020:

Summary of Operations (FY 1985-2020)			
(\$ in Thousands)			
<u>DESCRIPTION</u>	1985-2019	2020	1985 Thru 2020
	<u>Actual</u>	<u>Estimated</u>	<u>Actual & Estimated</u>
Authority Resources:			
Revenue Appropriations	\$22,616,266	\$ 1,412,199	\$ 24,028,465
PAYGO NJ Turnpike	66,000	-	66,000
Sub-Acct Cap Res-PAYGO	764,931	537,821	1,302,752
Sub-Acct Cap Res-Fed Project Cost	338,943	334,777	673,720
Prior Year Carryforward	83,722	-	83,722
Build America Bonds Interest Subsidy	335,328	19,337	354,665
Interest Earnings	564,700	12,000	576,700
Net Bond Proceeds *	25,004,960	1,113,347	26,118,307
Capitalized Interest Fund **	<u>245,761</u>	_____	<u>245,761</u>
Total Authority Sources	<u>\$ 50,020,611</u>	<u>\$ 3,429,481</u>	<u>\$ 53,450,092</u>
Authority Uses:			
Program Appropriations	\$ 35,863,100	\$ 2,000,000	\$ 37,863,100
Debt Service (TTF) ***	17,709,599	1,683,519	19,393,118
Authority Expenses	<u>26,438</u>	<u>106</u>	<u>26,544</u>
Total Authority Uses	<u>\$ 53,599,137</u>	<u>\$ 3,683,625</u>	<u>\$ 57,282,762</u>
Net Balance	<u>\$ (3,578,526)</u>	<u>\$ (254,144)</u>	<u>\$ (3,832,670)</u>

* Including Bond Premiums net of Cost of Issuance

** 2016A Indirect Federal GARVEE bonds

*** State Contract Transportation System, Transportation Program, and Federal Indirect

The negative \$3.8 billion Net Balance for Fiscal Years 1985 through 2020 in the chart above recognizes that the TTFA only issues bonds or notes to meet cash flow obligations, not the full value of capital program appropriations. The "Program Appropriations" amounts reflect the obligation authority that the State Legislature provided to NJDOT/NJ Transit for TTFA projects

since Fiscal Year 1985. However, the costs of most transportation capital projects are paid out over a number of years. This is particularly true of large road and bridge construction projects. The TTFA only issues bonds for cash outlays that are anticipated in the current year. Therefore, the estimated net balance of negative \$3.8 billion reflects estimated and actual spending authority (i.e. inception to date) less total actual and estimated resources that have been provided or generated by the TTFA through June 30, 2020. The estimated increase in the negative Net Balance deficit of \$254 million is primarily due to Fiscal Year 2020 capital program expenditures exceeding new money bond proceeds and Pay As You Go resources.

III. New Jersey Transportation Capital Plan

The TTFA Act reauthorization enacted in October 2016 provided for \$16 billion in state programming authority from Fiscal Year 2017 through Fiscal Year 2024. The state capital program in Fiscal Year 2018 totaled \$2 billion, \$2.050 billion in Fiscal Year 2019 (including a supplemental appropriation of \$50 million to NJ Transit), and \$2 billion in Fiscal Year 2020. The Fiscal Year 2021 Governor’s Budget Message recommends a \$2 billion program.

Cash required to support the New Jersey Transportation Capital Plan (the “Capital Plan”) is provided by the sale of bonds and Pay-As-You-Go funding. Program Bonds are issued as “state contract” debt backed by a contract between the State Treasurer and the TTFA. The reauthorization of the TTFA Act signed in October 2016 provided for \$12 billion in total bonding authorization to finance transportation projects beginning in Fiscal Year 2017 through Fiscal Year 2024.

As noted in the chart below, the Fiscal Year 2021 Transportation Capital Plan splits the \$2 billion program between DOT (\$810.0m), NJ Transit (\$760.0m), and Local Aid (\$430.0m).

NEW JERSEY CAPITAL TRANSPORTATION PLAN	
(\$ in Millions)	
TTF Spending Authority:	FY 21
TTFA	\$ 2,000.0
Total	<u>\$ 2,000.0</u>
Programmatic Distribution:	
DOT	\$ 810.0
NJ Transit	\$ 760.0
Local Aid	\$ 430.0
Total	<u>\$ 2,000.0</u>

As summarized in the chart below, the Fiscal Year 2021 Governor’s Budget Message recommends an appropriation to the TTFA of \$1,485.4 million, which represents an increase of \$13.6 million (0.9%) from the amount appropriated in July 2019, in the Fiscal Year 2020 Appropriations Act (\$1,471.8 million).

FY 21 TTF APPROPRIATION			
(\$ in Millions)			
	FY 20	FY 21	
	Appropriation	GBM	Change
Motor Fuels Tax	\$ 492.0	\$ 399.5	(\$92.5)
Petroleum Gross Receipts Tax	767.8	873.9	106.1
Sales & Use Tax	200.0	200.0	-
Toll Road Authorities	12.0	12.0	-
TOTAL TTF APPROPRIATION	\$1,471.8	\$1,485.4	\$ 13.6

IV. Debt Issuances

A. Debt Issuances - Fiscal Year 2021 Capital Program

The reauthorized TTFA Act provided for the issuance of \$12 billion of Program Bonds between Fiscal Year 2017 and Fiscal Year 2024. In Fiscal Year 2017 the TTFA issued \$3.24 billion in 2016 Series A & B Federal Highway Reimbursement Revenue Notes/Federal Indirect GARVEES (the “Notes”) sufficient to cover project costs for Fiscal Years 2017 and 2018, and part of Fiscal Year 2019. During Fiscal Year 2019 the Authority issued \$750 million in new money Program Bonds; it also refinanced \$1.3 billion of 2016 Sub-Series A-2 Federal Highway Reimbursement Revenue Notes and \$1.6 billion of Transportation System Bonds (2007 Series A, \$900 million and 2008 Series B, \$700 million), which resulted in nearly \$300 million in net present value savings. During Fiscal Year 2020 the Authority issued \$1 billion in new money Program Bonds, remarketed \$150 million in 2014 Series BB-1 variable rate notes to fixed rate, and refinanced another \$1.6 billion in Transportation System Bonds (Build America Bonds 2009 Series B and 2010 Series C, in the amounts of \$274 million and \$425 million respectively, and 2011 Series A and 2011 Series B bonds in the amounts of \$358 million and \$536 million, respectively), which resulted in nearly \$157 million in net present value savings.

The TTFA estimates that it will issue \$1.5 billion in new money state contract-backed Program Bonds, which are state contract-backed debt, in Fiscal Year 2021.

Fiscal Year 2021 Financial Plan

The chart below summarizes the TTFA's projected Fiscal Year 2021 cash flows:

FY 21: STATEMENT OF ANTICIPATED CHANGES IN CASH POSITION		
Description	Sub-Total	Total
Estimated July 1, 2020 Cash Balance		<u>\$878,500,000</u>
Receipts:		
State Appropriations:		
Motor Fuels Tax	399,500,000	
Petroleum Products Tax	873,944,000	
Sales and Use Tax	200,000,000	
Toll Road Authorities Contributions	<u>12,000,000</u>	
Net Total		1,485,444,000
Sub-Acct Capital Reserve Pay-As-You-Go	198,842,582	
Sub-Acct Capital Reserve Federal Project Costs	292,221,418	
Interest Income	7,090,000	
Bond Proceeds	1,500,000,000	
Build America Bonds Interest Subsidy	<u>21,700,000</u>	<u>\$2,019,854,000</u>
Total Receipts		<u>\$3,505,298,000</u>
Disbursements:		
State Transportation Project Costs		1,854,613,000
Debt Service		1,777,144,000
Authority Operating Expenses		<u>106,000</u>
Total Disbursements		\$ 3,631,863,000
Estimated July 1, 2021 Cash Balance		\$ 751,935,000

B. Constitutional Dedication

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

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

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

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

(c) for the State fiscal year 2002 an amount not less than \$80,000,000 from the State revenue collected from the State tax imposed under the "Sales and Use Tax Act," pursuant to P.L.1966, c.30 (C.54:32B-1 et seq.), as amended and supplemented, or any other subsequent law of similar effect, for the State fiscal year 2003 an amount not less than \$140,000,000 from those revenues, and for each State fiscal year thereafter an amount not less than \$200,000,000 from those revenues; provided, however, the dedication and use of such revenues as provided in this paragraph shall be subject and subordinate to (a) all appropriations of revenues from such taxes made by laws enacted on or before December 7, 2006 in accordance with Article VIII, Section II, paragraph 3 of the State Constitution in order to provide the ways and means to pay the principal and interest on bonds of the State presently outstanding or authorized to be issued under such laws or (b) any other use of those revenues enacted into law on or before December 7, 2006. These amounts shall be appropriated from time to time by the Legislature, only for the purposes of paying or financing the cost of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the transportation system in this State and it shall not be competent for the Legislature to borrow, appropriate or use these amounts or any part thereof for any other purpose, under any pretense whatever.

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

C. Credit Ratings

TTFA Transportation System and Transportation Program Bonds are currently rated BBB+ by Standard & Poor's and Fitch Ratings, and Baa1 by Moody's, respectively. The TTFA Federal Highway Reimbursement Revenue Notes, 2016 Series A are currently rated "BBB+" by Fitch Investors Service, "Baa1" by Moody's Investors Service, and "A+" by Standard & Poor's Corporation. The TTFA Federal Highway Reimbursement Revenue Notes, 2016 Series B are not rated by the rating agencies.

D. Fiscal Year 2020 Statutory Debt Limit

The estimated Fiscal Year 2021 issuance of \$1.5 billion in Program Bonds (state contract-backed debt) is in compliance with the TTFA Act, which authorized bond issuances totaling \$12 billion through the end of the current reauthorization period in Fiscal Year 2024. After the planned Fiscal Year 2021 issuance, the Authority’s projected unused statutory debt limit will equal \$8.62 billion. It should be noted that the 2016 TTFA Act, as amended, provides that any bond premium generated from Program Bond issues counts against the unused bonding capacity.

The Fiscal Year 2019 Issuance of Program Bonds included \$37.2 million in bond premium while the Fiscal Year 2020 Issuance of Program Bonds included \$90.0 million in bond premium.

Currently, there is no remaining unused statutory debt cap under the TTFA Act, for the Transportation System Bonds issued under the 1995 Prior Bond Resolution (except a nominal amount representing the amount thereof in excess of nearest integral multiple of \$5,000). Accordingly, under the TTFA Act, only refunding bonds may be issued under its 1995 Prior Bond Resolution, as amended and supplemented. As such, the table below provides a statutory debt limit calculation solely for bonds authorized under the 2016 TTFA Act.

TRANSPORTATION TRUST FUND AUTHORITY		
STATUTORY DEBT LIMIT		
Fiscal Year Bonding Credits:		
FY 2017-2024		\$12,000,000,000
Less:		
<u>FY 2019:</u>		
2019 Series AA Par Amount	750,000,000	
2019 Series AA Bond Premium	37,256,131	
<u>FY 2020:</u>		
2019 Series BB Par Amount	1,000,000,000	
2019 Series BB Bond Premium	90,015,772	
Total Authorized and Used		1,877,271,903
Total FY 2020 Current Authorized but Unused Bonding Credit		\$10,122,728,097
Less FY 2021 Estimated Issuance	1,500,000,000	
FY 2021 Estimated Authorized but Unused Bonding Credit		<u>\$ 8,622,728,097</u>

E. Official Intent for Federal Income Tax Purposes

For the purpose of permitting the proceeds of TTFA bonds to be used to reimburse expenditures paid after the date that this Financial Plan is adopted by the Authority (or within 60 days prior to such date), in accordance with the applicable regulations of the U.S. Treasury Department, this capital plan, upon its adoption by the TTFA in accordance with law, shall constitute a declaration of the intent of the Authority to issue obligations, as more fully described in Section IV(A) above, in the estimated principal amount of \$1.5 billion, to pay or reimburse expenditures made prior to the date of issuance of such bonds for the costs of the capital program of NJDOT and NJ Transit for Fiscal Year 2021 and prior fiscal years.

V. Fiscal Year 2021 Operating Budget

The TTFA estimates the following operating expenses will be required during Fiscal Year 2021. The operating budget, which does not include costs of issuance relating to bond issuances or the monthly interest obligations on 2014 Series BB-2 multi-modal SIFMA notes or other debt service, is funded from the legislative appropriations to the Authority:

ANTICIPATED OPERATING EXPENSES	
<u>Description</u>	<u>Estimate</u>
Legal Notices	\$ 3,000
Professional Services	45,000
Financial Advisory Services	-
Trustee Service Fees	33,000
Contingency	<u>25,000</u>
Total	<u>\$ 106,000</u>



New Jersey Transportation Trust Fund Authority Fiscal Year 2021 Financial Plan

Questions and Answers

Prepared by:

*Transportation Trust Fund Authority
Office of the Executive Director*

June, 2020

Philip D. Murphy, Governor
Sheila Y. Oliver, Lt. Governor

Diane Gutierrez-Scaccetti, Commissioner
Lewis Daidone, Executive Director

1. Why is the Authority adopting a Financial Plan?

The Transportation Trust Fund Authority Act (the “TTFA Act”) requires the Authority to approve an annual Financial Plan in support of the New Jersey Department of Transportation (“NJDOT”) Capital Project List for the upcoming fiscal year.

2. What capital program funding level is NJDOT requesting for Fiscal Year 2021?

The Fiscal Year 2021 Appropriations Act is expected to authorize \$2.0 billion for the Statewide Transportation Capital Program. In October 2016, the TTFA Act was reauthorized, providing for an 8-year, \$16.0 billion program funded by a combination of current revenues (also referred to as Pay-As-You-Go or “PAYGO”), and an increase in bond authorization that was predicated on the passage of a proposed Constitutional amendment that was approved by the voters in the November 2016 general election. The increase in bonding authorization was \$12 billion supported by the Motor Fuels Tax and the Petroleum Products Gross Receipts Tax. A provision of the TTFA Act’s reauthorization allows the State to adjust the Petroleum Products Gross Receipts Tax rate, contingent upon revenues meeting the Highway Fuel Cap Amount revenue target for the fiscal years. The Petroleum Products Gross Receipts Tax was increased in October 2016 and again in October 2018, as per provisions of the 2016 reauthorization.

3. What are the Authority’s expected project costs in Fiscal Year 2021, and what resources will be available to make those payments?

As shown in the chart labeled “FY 2021 Statement of Anticipated Changes in Cash Position” within section IV of the Financial Plan, an opening cash balance of approximately \$878 million is projected for Fiscal Year 2021. In addition, an estimated \$3.50 billion in receipts will be provided from: legislative appropriations, PAYGO from the Subaccount for Capital Reserves, new money bonds, and other sources. A total of approximately \$1.85 billion in project costs are projected for Fiscal Year 2021, while debt service costs are projected at approximately \$1.78 billion.

4. When will the Authority issue new debt for Fiscal Year 2021?

Also noted in the “FY 2021 Statement of Anticipated Changes in Cash Position” chart, the Authority anticipates issuing approximately \$1.50 billion in new money Program Bonds to pay for State transportation projects in Fiscal Year 2021.