

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

Minutes of the meeting of the New Jersey Transportation Trust Fund Authority (“Authority”) held at the Office of the Commissioner in the Main Office Building of the New Jersey Department of Transportation, 1035 Parkway Avenue, Trenton, New Jersey on December 12, 2016 at 2:00 PM (EDT).

The following Authority members were present:

- Richard Hammer, NJTTFA Chairman (Commissioner, New Jersey Department of Transportation)
- Anthony Longo, NJTTFA Treasurer (Manager, Office of Public Finance, New Jersey Department of the Treasury / Designee for the Honorable Ford M. Scudder, New Jersey State Treasurer)
- Gregory Lavee, NJTTFA Vice Chairman – [Via Teleconference]
- Nelson Ferreira, NJTTFA Public Member – [Via Teleconference]

Constituting a quorum of the Members of the Authority.

There were also present:

- Gary J. Brune, NJTTFA Executive Director; CFO, NJDOT
- David K. Moore, Office of Public Finance – [Via Teleconference]
- Aimee Manocchio Nason, Deputy Attorney General, NJDOL
- Brian E. McGarry, Deputy Attorney General, NJDOL
- Samuel Braun, NJTTFA Comptroller; Division of Accounting & Auditing, NJDOT
- Nick Hansen, Analyst Trainee, NJDOT
- Mary Maples, Governor’s Authorities Unit – [Via Teleconference]
- Linda Davino, Secretary to the Authority, NJDOT
- Jackie Brown, Assistant Secretary to the Authority, NJDOT

Chairman Richard Hammer presided at the meeting and Linda Davino, Secretary, kept the minutes.

Chairman Richard Hammer convened the meeting at 2:00 PM. He introduced himself 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 also e-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."

Secretary Linda Davino called the roll. The following acknowledged their presence: Richard Hammer, Gregory Lalevee, Nelson Ferreira, and Anthony Longo.

After acknowledging that a quorum was present, Chairman Richard Hammer called the first order of business by requesting a motion to approve the minutes of the TTFA Board meeting held on October 14, 2016.

Mr. Lalevee moved the following resolution approving the Authority's October 14, 2016 meeting:

WHEREAS, Article II, Section 8 of the By-laws of the New Jersey Transportation Trust Fund 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 October 14, 2016 of the New Jersey Transportation Trust Fund Authority are hereby approved.

Chairman Richard Hammer asked if anyone had any questions or further discussion. The members did not have any questions or discussion on the motion. The above resolution was seconded by Mr. Ferreira and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT: 1

Next, Chairman Richard Hammer requested a motion to adopt the resolution approving the minutes of the executive session of the TTFA Board meeting on October 14, 2016. Mr. Ferreira moved the following resolution approving the Authority's October 14, 2016 Executive Session Meeting Minutes:

WHEREAS, Article II, Section 8 of the By-Laws of the New Jersey Transportation Trust Fund Authority provides that the minutes of meetings of the Authority be approved by the Authority.

NOW, THEREFORE, BE IT RESOLVED, that the minutes of the October 14, 2016 executive session meeting of the New Jersey Transportation Trust Fund Authority are hereby approved.

Chairman Richard Hammer asked if anyone had any questions or further discussion. The members did not have any questions or discussion on the motion. The above resolution was seconded by Mr. Lalevee and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT: 1

Chairman Richard Hammer stated that the next order of business was the appointment of a member of the Evaluation Committee. He noted that the role of the Evaluation Committee is to solicit and evaluate proposals for an independent auditor for the Authority. Since the contract with the existing auditor expires once the Fiscal Year 2016 audit is produced, a new contract must be arranged. The Evaluation Committee will issue a request for proposals, and after assessing the responses will provide its recommendation in a written report that will be forwarded to the Authority's Audit Committee.

Chairman Richard Hammer then nominated Anthony Longo to serve as a member of the Evaluation Committee. After the nomination, Chairman Richard Hammer requested a motion to adopt the resolution electing Anthony Longo to serve on the Evaluation Committee.

Mr. Lalevee moved the following Resolution:

**RESOLUTION APPOINTING MEMBERS TO THE EVALUATION
COMMITTEE**

WHEREAS, the New Jersey Transportation Trust Fund Authority (the "Authority") was established pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, as amended, N.J.S.A. 27:1B-1 et seq., ("Act"); and

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 Authority is required to conduct an annual audit of its affairs and deliver a written report with respect to such audit to the Legislature and the Governor; and

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

WHEREAS, the current contract with Mercadien, P.C. for auditing services terminates with completion of the Fiscal Year 2016 audit currently in process; and

WHEREAS, the Authority seeks to engage a qualified professional accounting firm to audit its financial statements for Fiscal Year 2017 with the option to perform the audits for Fiscal Year 2018 for Fiscal Year 2019, respectively; and

WHEREAS, on July 23, 2004, Governor McGreevey issued Executive Order No. 122 (McGreevey 2004) ("E.O. 122") which requires the governing body of a State authority to establish an Evaluation Committee and sets forth certain duties and obligations of the Evaluation Committee; and

WHEREAS, the Authority amended its By-laws to establish an Evaluation Committee in compliance with E.O.122 (McGreevey 2004); and

WHEREAS, there is currently a vacancy on the Evaluation Committee; and

WHEREAS, the Authority desires to appoint an individual to serve on the Evaluation Committee in compliance with the requirements of E.O. 122 (McGreevey 2004), three of whom shall be members of the Board; and

WHEREAS, to meet the Authority's schedule for selecting a new auditing firm, the Evaluation Committee will need to publish a request for proposals for auditing services, evaluate the responses, and provide recommendations to the Audit Committee by March 31, 2017.

NOW, THEREFORE, BE IT RESOLVED that:

1. The Authority hereby appoints the following individual to serve on the Evaluation Committee in accordance with Article VI of the By-laws who shall serve until such time as their successor is appointed. The individual is:

- 1) Anthony Longo

2. This Resolution shall take effect upon adoption in accordance with the Act.

Chairman Richard Hammer asked if anyone had any questions or further discussion. The members did not have any questions or discussion on the motion. The above resolution was seconded by Mr. Ferreira and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT: 1

Next, Chairman Richard Hammer asked Mr. Brune, Executive Director of the Transportation Trust Fund Authority, to lead a discussion pertaining to the Fiscal Year 2016 audited financial statements that were recently completed by Mercadien.

Mr. Brune stated that the TTFA Audit Committee had recommended approval of the FY2016 TTFA audit and that the Department of the Treasury was awaiting delivery of that document to help complete the State's Financial Statements for that fiscal year. Mr. Brune asked the board to reference page 6 of the audit and commented that the line labeled "Net Position" which shows the difference between assets and liabilities of the Authority is a key measure of the long term physical health of the Authority. He stated that this measure has been worsening over time, resulting in a negative \$265 million as of June 2014. By the end of Fiscal Year 2015, it had grown to a negative \$390 million and then grew further to a negative \$492 million by the end of Fiscal Year 2016. This trend reflected increasing debt, dwindling cash balances, due to the TTF shut down, and no pay-as-you-go.

Mr. Brune referred the Board members to page 7 regarding the number of bonds outstanding which totaled \$16.7 billion in Fiscal Year 2016, up from \$16.4 billion the year before. This net increase primarily resulted from the TTFA selling \$626 million worth of debt and retiring about \$488 million of bonds, as well as the impact of accretions on capital appreciation bonds.

Chairman Richard Hammer then asked if there were any further discussion. Hearing none, he requested a motion to adopt the resolution accepting the Authority's Fiscal Year 2016 audited financial statements.

Mr. Longo moved the following Resolution:

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

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

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

WHEREAS, the Authority selected the firm of The Mercadien Group ("Mercadien") to perform the audit of the Authority for Fiscal Year 2016; and

WHEREAS, Mercadien has prepared the audit for Fiscal Year 2016, a copy of which is attached to this Resolution as Exhibit "A"; and

WHEREAS, the Authority's Audit Committee has reviewed the audit report for Fiscal Year 2016 and recommended its adoption by the Authority.

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby accepts the audit report of Mercadien attached hereto as Exhibit "A".
2. This Resolution shall take effect upon adoption in accordance with the Act.

EXHIBIT "A"

**NEW JERSEY TRANSPORTATION TRUST
FUND AUTHORITY**
(A Component Unit of the State of New Jersey)

Financial Statements and
Supplementary Information

June 30, 2016

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chairperson and Members of
New Jersey Transportation Trust Fund Authority
A Component Unit of the State of New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each fund of the New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluating the overall presentation of the financial statements.

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- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
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- PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- REGISTERED WITH THE PCAOB

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the Authority as of June 30, 2016, and the respective changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages four through eight be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of cash receipts and disbursements on page twenty-three is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of cash receipts and disbursements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the accompanying supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2016 on our consideration of the New Jersey Transportation Trust Fund Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadon, P.C.

Certified Public Accountants

November 28, 2016

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis

As financial management of the New Jersey Transportation Trust Fund Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the year ended June 30, 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

On a cash basis, the Authority reimbursed the State's Special Transportation Fund \$925,500,000 in fiscal year 2016. When adjusted for accrued expenses, the Authority's total obligations to the State of New Jersey Special Transportation Fund amounted to \$844,981,646 to fund statewide transportation system improvements during the fiscal year. This compares to \$1,276,650,000 reimbursed and total obligations of \$1,302,172,343 in the prior fiscal year. The term "net position" refers to the difference between assets and liabilities. At the close of fiscal year 2016, the Authority had a net deficit of \$492,312,441, as compared to a net deficit of \$390,393,642 at June 30, 2015. This decrease in net position was mainly due to a decrease in Authority investment balances used for statewide transportation system improvements and an increase in long term debt obligations, offset by lower State Transportation Costs and Build America Bond tax credits.

In fiscal year 2015, the State of New Jersey lapsed \$83,722,000 of the Authority appropriated revenues and re-appropriated this amount to fiscal year 2016, to be used for its fiscal year 2016 debt service obligations. In fiscal year 2016, the State of New Jersey lapsed \$62,901,341 of the Authority's appropriated revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. The Authority is a single program government that combines government-wide and governmental fund financial statements. This report also contains required supplementary information concerning the Authority's cash flow for the fiscal year.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to that which would be used by a private-sector business.

The statement of net position and governmental funds balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating. Net position decreases when expenses exceed revenues. Increases to liabilities without corresponding increases to assets result in decreased net position, which indicate a worsened financial position. The Authority's net position decreased by \$101,918,799 after current year bond activity in the year ended June 30, 2016.

The statement of activities and governmental funds revenues, expenditures and changes in fund balance/net position presents information showing how a government's net position changed during the fiscal year. All changes in net position deficit are reported as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Authority's flow of cash for the fiscal year.

Financial Analysis

Net position (deficit) may serve, over time, as a useful indicator of the Authority's financial position. In the case of the Authority, liabilities and deferred inflows of resources exceeded assets by \$492,312,441 at the close of the most recent fiscal year.

The largest portion of the Authority's net position (deficit) reflects its investments in current assets (e.g., accounts receivable, cash and cash equivalents and investments) less any related bonds outstanding and accounts payable. The Authority's current assets are restricted in use for payment of state transportation costs and bond issues outstanding.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change 2016-2015</u>
Accounts receivable	\$16,720,883,754	\$ 16,420,831,527	2
Cash and equivalents	201,007,191	412,516,342	(51)
Unamortized bond discount	9,137,514	9,556,639	(4)
Total assets	<u>16,931,028,459</u>	<u>16,842,904,508</u>	1
Accrued interest payable	28,972,519	28,938,341	-
Accounts payable - State of New Jersey	93,523,360	174,041,714	(46)
Accounts payable - other	-	-	-
Bonds payable:			
Due within one year	546,670,000	488,065,000	12
Due after one year	16,174,213,754	15,932,766,527	2
Unamortized bond premium	568,447,796	599,537,680	(5)
Total liabilities	<u>17,411,827,429</u>	<u>17,223,349,262</u>	1
Deferred inflows of resources	<u>11,513,471</u>	<u>9,948,888</u>	16
Net Position restricted for:			
Debt service	947,326	604,082	57
Deferred charges	(599,796,272)	(628,868,270)	(5)
Payment of state transportation system costs	106,536,505	237,870,546	(55)
Net position	<u>\$ (492,312,441)</u>	<u>\$ (390,393,642)</u>	26

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change 2016-2015</u>
Revenues			
State appropriations			
Motor fuel taxes	\$ 516,000,000	\$ 516,000,000	-
Commercial vehicle fees and taxes	688,748,659	648,359,251	6
Toll road authority	12,000,000	12,000,000	-
Interest income and investment return	1,288,444	279,229	361
Amortization of bond premium and discount	<u>43,265,377</u>	<u>41,890,428</u>	3
Total revenues	<u>1,261,302,480</u>	<u>1,218,528,908</u>	4
Expenses			
Operating expenses and financial costs	99,261	1,136,128	(91)
State transportation costs	844,981,646	1,302,172,343	(35)
Debt Service			
Bond interest expense, including amortization of deferred gain on advanced refunding	702,210,609	675,885,075	4
Bond interest expense, capital appreciation bonds	<u>161,317,227</u>	<u>149,810,014</u>	8
Total operating expenses	<u>1,708,608,743</u>	<u>2,129,003,560</u>	(20)
Deficiencies of revenues over expenses	(447,306,263)	(910,474,652)	(51)
Other financing sources (uses)			
Garvee bond debt service reimbursement	2,023,250	2,622,149	(23)
Build America bond credits	36,089,341	35,896,516	1
Bond issue costs	<u>(3,097,641)</u>	<u>(6,424,710)</u>	(52)
Total other financing sources	<u>35,014,950</u>	<u>32,093,955</u>	9
Change in net position	(412,291,313)	(878,380,697)	(53)
Net position			
Beginning of year	(390,393,642)	(265,095,285)	47
Prior period adjustment	-	-	-
Beginning of year - as restated	<u>(390,393,642)</u>	<u>(265,095,285)</u>	47
Current year bond activity, net	<u>310,372,514</u>	<u>753,082,340</u>	(59)
Net position, end of year	<u>\$ (492,312,441)</u>	<u>\$ (390,393,642)</u>	26

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Other Information

As of June 30, 2016, the Authority had \$16,720,883,754 in bonds outstanding, net of unamortized bond accretions, as compared to \$16,420,831,508 in the prior fiscal year, an increase of 1.8%. During Fiscal Year 2016 the Authority incurred new debt comprised of Transportation Program Bonds in the amount of \$626,800,000. This issuance represents the remaining bonding authority on the 2012 Capital Program Authorization. The Authority cannot issue new debt without a new re-Authorization. A total of \$488,065,000 in bond principal was retired by the annual debt service payments during the fiscal year, including \$12,835,000 of Garvee Bond principal paid by the State Treasury.

There were no new Swap Agreements entered into during the fiscal year. See Footnote H "Subsequent Events" of the accompanying Notes to the Financial Statements for information on a statement of claim filed by the State of New Jersey regarding the interest rate swap on the Authority's 2003 Series B Bonds.

The Authority's 2003 Series B (Periodic Auction Reset Securities) bonds, pursuant to the terms of the Resolution, were remarketed and converted in September 2008 to bear interest in the Fixed Rate mode. Principal repayments begin December 15, 2016, and end December 15, 2019. Interest payments began December 15, 2008.

The related Swap Agreements could be amended, terminated or offset with additional interest rate swaps when market conditions permitted. The Authority applied a portion of the then Existing Swap Agreements as hedges related to the variable rate 2009 Series C and the 2009 Series D Bonds, which have since been remarketed as fixed rate Transportation System bonds.

The Authority has issued no new money Transportation Program bonds nor entered into any credit agreements subsequent to the close of fiscal year June 30, 2016.

The following information summarizes the changes in debt between the fiscal year 2016 and 2015:

	Years Ended		Percentage
	June 30, 2016	June 30, 2015	Change
Bonds Payable	<u>\$16,720,883,754</u>	<u>\$16,420,831,527</u>	<u>1.8</u>

More detailed information about the Authority's bonds payable is presented in Note D of the financial statements.

Significant and Subsequent Events

The prior re-authorization of the Authority under Assembly Bill A-3205, which granted legislative approval to support the State's Capital Transportation Program for Fiscal Years 2013 through 2016, expired on June 30, 2016. The bill authorized the Authority to bond a total of \$3,458.3 million for fiscal years 2013 to 2016. During Fiscal Year 2016 the NJTTFA issued the remaining \$626.8 million of new money Transportation Program Bonds provided under the 2012 Amendments. Under any circumstance, the Authority will continue to receive state appropriated revenues to satisfy outstanding debt service obligations.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Significant and Subsequent Events (Continued)

With the authorization for the existing TTF program expiring on June 30, 2016, discussions regarding program re-authorization, requiring legislative approval, were ongoing between the Legislature and the Administration to arrive at a solution for Fiscal Year 2017 and beyond. Until the re-authorization of the State's Capital Transportation program became legislation, the Administration, through Executive Order, implemented a shutdown of all road, bridge, and rail projects funded by the TTF to ration the remaining funds for emergent work only.

On October 14, 2016, legislation to re-authorize the TTF received the necessary votes for passage and the Administration signed the pending legislation into law, removing the moratorium on transportation projects previously signed by Executive Order. The new legislation includes a \$0.23 per gallon increase in the fuel tax in support of a new eight year, \$16 billion capital projects program. To support program costs during fiscal years 2017 and 2018, the Authority also issued \$3.4 billion in Federal Highway Reimbursement Revenue Notes, with the transactions closing on November 2, 2016.

Significant Other Events

The Government Accounting Standards Board (GASB) issued Pronouncement No. 65 in Fiscal year 2014 related to Items Previously Reported as Assets and Liabilities, including the treatment of Bond Issuance Costs. GASB-65 states these costs can no longer be established as assets and amortized over the term of the bond issue, but are to be expensed when incurred. In the prior year all remaining balances of prior year bond issuance costs and its accumulated amortization were zeroed out.

Contacting the Authority's Financial Management

This financial report is designed to provide the New Jersey citizens, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability to the State of New Jersey and bondholders. If you have questions about this report or need additional financial information, you can contact the New Jersey Transportation Trust Fund Authority at 1035 Parkway Avenue, P.O. Box 600, Trenton, NJ 08625-0600 or visit its website at www.state.nj.us/tffa.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2016

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note G)	Statement of Net Position
ASSETS					
Cash and equivalents	\$ 200,059,865	\$ 947,326	\$ 201,007,191	\$ -	\$ 201,007,191
Accounts receivable - State of New Jersey	-	-	-	16,720,883,754	16,720,883,754
Unamortized bond discount	-	-	-	9,137,514	9,137,514
Total assets	<u>\$ 200,059,865</u>	<u>\$ 947,326</u>	<u>\$ 201,007,191</u>	<u>\$ 16,730,021,268</u>	<u>\$ 16,931,028,459</u>
LIABILITIES					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 28,972,519	\$ 28,972,519
Accounts payable - State of New Jersey	93,523,360	-	93,523,360	-	93,523,360
Transportation system bonds and notes payable	-	-	-	546,670,000	546,670,000
Due within one year	-	-	-	16,174,213,754	16,174,213,754
Due after one year	-	-	-	568,447,796	568,447,796
Unamortized bond premium	-	-	-	17,318,304,069	17,411,827,429
Total Liabilities	<u>93,523,360</u>	<u>-</u>	<u>93,523,360</u>	<u>17,318,304,069</u>	<u>17,411,827,429</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gains on advanced refunding	-	-	-	11,513,471	11,513,471
FUND BALANCES/NET POSITION					
Restricted for					
Debt service	-	947,326	947,326	-	947,326
Deferred charges	-	-	-	(599,796,272)	(599,796,272)
Payment of state transportation system costs	106,536,505	-	106,536,505	-	106,536,505
Total fund balances/net position	<u>106,536,505</u>	<u>947,326</u>	<u>107,483,831</u>	<u>(599,796,272)</u>	<u>(492,312,441)</u>
Total liabilities, deferred inflows of resources, and fund balances/net position	<u>\$ 200,059,865</u>	<u>\$ 947,326</u>	<u>\$ 201,007,191</u>	<u>\$ 16,730,021,268</u>	<u>\$ 16,931,028,459</u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN NET POSITION/FUND BALANCE
June 30, 2016

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note G)	Statement of Activities
REVENUES					
State appropriations equivalent to:					
Motor fuel taxes	\$ 516,000,000	\$ -	\$ 516,000,000	\$ -	\$ 516,000,000
Commercial vehicle fees and taxes	688,748,659	-	688,748,659	-	688,748,659
Toll Road Authority	12,000,000	-	12,000,000	-	12,000,000
Interest income and investment return	1,288,444	-	1,288,444	-	1,288,444
Amortization of bond premium and discount	-	-	-	43,265,377	43,265,377
Total revenues	1,218,037,103	-	1,218,037,103	43,265,377	1,261,302,480
EXPENDITURES					
Operating expenses and financial costs	56,079	43,182	99,261	-	99,261
State transportation costs	844,981,646	-	844,981,646	-	844,981,646
Debt Service	-	-	-	-	-
Principal	-	488,065,000	488,065,000	(488,065,000)	-
Bond interest expense, including amortization of deferred gain on advanced refunding	-	703,126,561	703,126,561	(915,952)	702,210,609
Bond interest expense, capital appreciation bonds	-	-	-	-	-
Total expenditures	845,037,725	1,191,234,743	2,036,272,468	161,317,227	1,61,317,227
Deficiency of revenues over expenses	372,999,378	(1,191,234,743)	(818,235,365)	370,929,102	(447,306,263)
OTHER FINANCING SOURCES (USES):					
Bonds and notes issued	626,800,000	-	626,800,000	(626,800,000)	-
Bond premium	12,594,618	-	12,594,618	(12,594,618)	-
Garvee bond debt service reimbursement	-	14,858,250	14,858,250	(12,835,000)	2,023,250
Transfers - internal activities	(1,140,630,396)	1,140,630,396	-	-	-
Build America Bond Credits	-	36,089,341	36,089,341	-	36,089,341
Cost of issuance	(3,097,641)	-	(3,097,641)	-	(3,097,641)
Total other financing sources (uses)	(504,333,419)	1,191,577,987	687,244,568	(652,229,618)	35,014,950
Change in fund balance/net position	(131,334,041)	343,244	(130,990,797)	(281,300,516)	(412,291,313)
Fund balance/net position					
Beginning of year	237,870,546	604,082	238,474,628	(628,868,270)	(390,393,642)
Current year bond activity, net	-	-	-	310,372,514	310,372,514
End of year	\$ 106,536,505	\$ 947,326	\$ 107,483,831	\$ (599,796,272)	\$ (492,312,441)

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Authority

New Jersey Transportation Trust Fund Authority (the "Authority"), located in Ewing, New Jersey, was created by the State of New Jersey (the "State") in 1984 pursuant to the New Jersey Transportation Trust Fund Authority Act in order to provide a stable, predictable funding mechanism for transportation system improvements undertaken by the New Jersey Department of Transportation. The Authority also provides State aid to counties and municipalities for transportation system improvements.

Basis of Accounting

The Authority is a component unit of the State and is included in the general purpose financial statements of the State.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB") and other entities that promulgate accounting principles. GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Per the Statement, the sources of authoritative generally accepted accounting principles ("GAAP") are categorized in descending order of authority as follows: GASB Statements and Interpretations, GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants ("AICPA") cleared by the GASB. Authoritative GAAP is incorporated periodically into the *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), and when presented in the Codification, it retains its authoritative status. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP described above, a governmental entity should first consider accounting principles for similar transactions or other events within a source of authoritative GAAP described above and then may consider nonauthoritative accounting literature from other sources. These include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board ("FASB"), Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks, and articles.

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 the 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 primary sources of revenues are appropriations received from the State from motor fuel and petroleum gross receipts taxes, motor vehicle sales and use taxes, and from toll road authorities.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America for governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Accounts

In accordance with the 1995 Bond Resolution, the Authority has established the following fund accounts maintained by the Authority:

<u>Fund Accounts</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Special Revenue Fund (General Fund) Transportation Improvement	Deposit of all revenues received by the Authority. Also used to account for the accumulation of resources for payment of state transportation costs.	Expenditures for specific purposes.
Debt Service Fund (DSF)	Amounts needed to pay matured principal and interest on bonds.	Interest and principal on bonds.

The Authority reserve, which accounts for the Authority's operating expenses, is included in the special revenue fund.

Income Taxes

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

Bond Premium

In the government-wide financial statements, bond premiums are reported as deferred revenues (liabilities) and are amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums are recognized as revenue when received.

Bond Discount

In the government-wide financial statements, bond discounts are recognized as deferred charges (assets) and are amortized over the term of the related debt.

In the governmental fund financial statements, bond discounts are recognized as expense when received.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Position

In accordance with the terms of the various bond resolutions, cash and equivalents and investments of all funds required under such bond resolutions are classified as restricted assets. The amounts by which the restricted assets exceed the corresponding liabilities they will liquidate are not available for the payment of current operating expenses.

Accounts Receivable

The following is a summary of receivables due from the State primarily to fund future bonds payable.

Due within one year	\$ 546,670,000
Due after one year	<u>16,174,213.754</u>
	<u>\$16,720,883.754</u>

B. CASH AND EQUIVALENTS

Cash and equivalents consist primarily of State of New Jersey cash management fund deposits. New Jersey statutes permit the deposit of public funds in the State of New Jersey Cash Management Fund ("NJCMF") or in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation or by any other agencies of the United States that insure deposits. NJCMF is considered to be an investment trust fund as defined in Governmental Accounting Standards Board (GASB) Statement No. 31.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- (a) The market value of the collateral must equal 5% of the average daily balance of public funds;
- or
- (b) If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its cash and investments that are in the possession of an outside party. The Authority's NJCMF funds are not subject to custodial credit risk due to the fact that the funds are held by and in the name of the State of New Jersey Cash Management Fund in a segregated trust account with a third party custodian rather than in the possession of a third party custodian. Additionally, Cash and equivalents and investments of the Authority are substantially restricted under the terms of the Authority's bond resolutions for the payment of bond principal and interest expense and the extension of project loans. The bond resolutions limit investments to vehicles with limited or no custodial credit risk such as obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in cash management pools that restrict investments to U.S. government securities, money market funds that invest in high-grade AAA-rated securities, and direct and general obligations of any state that meets the minimum requirements of the resolution.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

B. CASH AND EQUIVALENTS (CONTINUED)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corporation (S&P), and Fitch Ratings (Fitch). Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Though the underlying assets and investments of the NJCMF pool are subject to credit risk, the risk is limited by mix of the credit quality ratings of the assets in the portfolio maintained by NJCMF.

Cash and equivalents at June 30, 2016, were as follows:

NJCMF	\$ 199,962,715
US Bank	1,044,476
Total	<u>\$ 201,007,191</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Because the Authority maintains investments in government securities, or an external investment pool, it is not subject to interest rate risk if interest rates fluctuate.

C. ACCOUNTS PAYABLE - STATE OF NEW JERSEY

The balance due of \$93,523,360 consists of amounts due the State of New Jersey Special Transportation Fund for reimbursement of State, local and New Jersey Transit transportation costs.

D. TRANSPORTATION SYSTEM BONDS PAYABLE

Transportation bonds payable consist of Transportation System and Transportation Program Bonds Payable. Bond resolutions have been adopted by the Authority for the purpose of making improvements to the transportation system and programs in the State of New Jersey.

Transportation System Bonds refer to bonds issued pursuant to authorizations previously provided in P.L. 1995, c. 108 and P.L. 2006, c.3, as well as any bonds issued to refund those prior bonds. Transportation Program Bonds refer to bonds issued pursuant to the most recent authorization enacted in June, 2012 (P.L. 2012, c. 13) and any bonds subsequently issued to refund those particular bonds.

In fiscal year 2016, the Authority issued \$626,800,000 of new money Transportation Program Bonds, authorized under the June 2012 Act. The proceeds of this issuance will be used to support transportation projects within the State of New Jersey.

The Transportation Program Bonds will be issued as "state contract" debt backed by a new contract between the State Treasurer and the Authority. This contract pledges that constitutionally-dedicated revenues appropriated by the Legislature will be made available to the Authority for debt service payments on its Transportation Program Bonds.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

The Transportation System Bonds continue to be secured by the existing contract between the State Treasurer and the Authority which pledges that any dedicated New Jersey Transportation Trust Fund Authority revenues appropriated by the Legislature to the payment of such bonds will be made available to the Authority for debt service payments. In fiscal year 2016, the Authority remarketed and converted \$297,500,000 in Variable Rate Transportation System Bonds into fixed rate Transportation System Bonds and did not renew the expired Letter of Credit agreements on the Variable Rate bonds.

The following is a summary of revenue bonds and notes outstanding:

Series	Interest Rate Range	Bonds Outstanding (in Thousands)		Additions (in Thousands)	Reductions (in Thousands)	Bonds Outstanding (in Thousands)		Amounts Due within One Year (in Thousands)	
		June 30, 2015	June 30, 2016			June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
1999 Series A	5.75%	\$ 158,795	\$ -	\$ -	\$ 27,630	\$ 131,165	\$ -	\$ 30,095	\$ -
2001 Series C	5.50%-5.75%	141,025	-	-	32,405	108,620	-	34,235	-
2003 Series A	5.50%	182,070	-	-	125,570	56,500	-	56,500	-
2003 Series B	5.00%-5.25%	345,000	-	-	-	345,000	-	75,525	-
2004 Series A	5.75%	107,495	-	-	-	107,495	-	-	-
2004 Series B	5.50%	267,830	-	-	103,600	164,230	-	109,455	-
2005 Series B	5.25%-5.50%	788,635	-	-	105,095	683,540	-	-	-
2006 Series A	4.25%-5.50%	1,576,785	-	-	-	1,576,785	-	-	-
2006 Series C	4.93%-5.05%	3,708,585	-	-	-	3,708,585	-	-	-
2006 A Garvee	5.00%	40,465	-	-	12,835	27,630	-	13,480	-
2007 Series A	4.75%-5.00%	871,055	-	-	-	871,055	-	-	-
2008 Series A	5.25%-6.75%	2,173,735	-	-	-	2,173,735	-	-	-
2009 Series A	6.23%-6.40%	869,075	-	-	-	869,075	-	-	-
2009 Series B	6.88%	273,500	-	-	-	273,500	-	-	-
2009 Series C Note	5.250%	150,000	-	-	-	150,000	-	-	-
2009 Series D Note	5.000%	147,500	-	-	-	147,500	-	-	-
2010 Series A	5.85%-6.25%	1,273,180	-	-	-	1,273,180	-	-	-
2010 Series B	6.56%	500,000	-	-	-	500,000	-	-	-
2010 Series C	5.75%-6.10%	1,000,000	-	-	-	1,000,000	-	-	-
2010 Series D	3.00%-5.25%	485,875	-	-	-	485,875	-	1,975	-
2010 Series E	3.60%	14,100	-	-	-	14,100	-	-	-
2011 Series A	3.25%-6.00%	569,650	-	-	10,980	558,670	-	11,485	-
2011 Series B	2.50%-5.50%	1,253,165	-	-	22,565	1,230,600	-	23,695	-
2012 Series A	5.00%	326,255	-	-	-	326,255	-	-	-
2012 Series AA	2.50%-5.00%	877,405	-	-	22,780	854,625	-	23,915	-
2013 Series A	3.00%-5.00%	522,310	-	-	11,040	511,270	-	34,570	-
2013 Series B	1.09%-1.76%	338,220	-	-	-	338,220	-	88,220	-
2013 Series AA	3.00%-5.50%	835,900	-	-	13,565	822,335	-	14,110	-
2014 Series AA	4.25%-5.00%	764,055	-	-	-	764,055	-	19,635	-
2014 Series BB	Variable	297,500	-	-	-	297,500	-	-	-
2015 Series AA	3.00%-5.25%	-	626,800	-	-	626,800	-	9,775	-
		20,859,165	626,800	-	488,065	20,997,900	-	546,670	-
Less bond accretion		(4,438,334)	-	-	161,317	(4,277,016)	-	-	-
Total		\$ 16,420,831	\$ 626,800	\$ -	\$ 649,382	\$ 16,720,884	\$ -	\$ 546,670	\$ -

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

Total maturities of transportation system and transportation program bonds and notes are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 546,670,000	\$ 694,131,722	\$ 1,240,801,722
2018	568,390,000	669,967,130	1,238,357,130
2019	594,945,000	642,981,393	1,237,926,393
2020	678,645,000	618,346,190	1,296,991,190
2021	718,995,000	578,005,219	1,297,000,219
2022-2026	4,117,975,000	2,307,983,045	6,425,958,045
2027-2031	4,239,830,000	1,627,963,222	5,867,793,222
2032-2036	4,102,330,000	1,156,957,406	5,259,287,406
2037-2041	4,758,030,000	625,916,975	5,383,946,975
2042-2046	<u>672,090,000</u>	<u>67,485,850</u>	<u>739,575,850</u>
Total	20,997,900,000	<u>\$ 8,989,738,152</u>	<u>\$29,987,638,152</u>
Less unamortized bond accretion	<u>4,277,016,246</u>		
Total Bonds Payable	<u>\$16,720,883,754</u>		

Interest payments vary by series. The majority of Authority debts are fixed rate interest payments, payable semi-annually on June 15 and December 15. Excluded from these debts are capital appreciation and SIFMA Multimodal notes. Capital appreciation bonds do not pay interest annually, but add the interest value to the face value of the bond to be paid at maturity. SIFMA Multimodal notes are variable rate debts in which interest rates are reset weekly and interest is payable monthly.

The bonds are secured primarily by revenues received by the Authority from the State. The payment of all such revenues to the Authority is subject to and dependent upon appropriations being made from time to time by the State Legislature. The State Legislature has no legal obligation to make such appropriations.

2003 Series B

The Authority remarketed the 2003 Series B (Periodic Auction Reset Securities) as fixed rate bonds on various dates between September 2, 2008 and September 8, 2008. The Remarketed Bonds were converted pursuant to the terms of the Resolution to bear interest in the Fixed Rate mode. Principal repayments were to begin December 15, 2016, and were to end December 15, 2019. Interest payments began December 15, 2008. Existing Swap Agreements could be amended, terminated or offset with additional interest rate swaps when market conditions permitted. The Authority applied a portion of the then existing Swap Agreements as hedges related to the 2009 Series C Bonds and the 2009 Series D Bonds. Amid favorable market conditions, those swap agreements were terminated in December 2011.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

2003 Series B (Continued)

The State and the NJTTFA filed a statement of claim in 2014 with respect to the matter of the Treasurer of the State of New Jersey and the New Jersey Transportation Trust Fund Authority vs. Goldman, Sachs & Co. and UBS Financial Services, Inc. regarding the NJTTFA's 2003 Series B Bonds and the interest rate swap entered into in connection with the NJTTFA's 2003 Series B Bond. Although a proposed settlement is pending with Goldman Sachs & Co., a litigation hold is in place regarding the municipal auction rate securities that were underwritten by Goldman Sachs & Co. In November 2015, a settlement agreement was entered into with UBS Financial Services, Inc., which also underwrote municipal auction rate securities issued by the NJTTFA in December 2015. Subsequent events were noted by management that required disclosure.

2006 A Garvee Bond

The debt service and interest expense payments on the 2006 A Garvee bond are reimbursed by the Federal Highway Administration, to the State of New Jersey. These amounts are included in the principal and bond interest expense lines, since these payments are made directly by the State of New Jersey. The principal payment and interest payments reimbursed as of June 30, 2016, were \$12,835,000 and \$2,023,250, respectively.

2006 Series C and 2008, 2009, and 2010 Series A - Capital Appreciation Bonds

The Series 2006C, 2008A, 2009A, and 2010A bonds were issued as Capital Appreciation bonds. The bonds were originally issued at principal values of \$1,115,496,792, \$1,122,744,638, \$416,230,924, and \$859,253,361, respectively. Portions of the total issuances that were capital appreciation bonds were \$1,115,496,792, \$249,999,638, \$142,730,924, and \$359,253,361, respectively. Interest on each series is not payable on a current basis. Interest is calculated on the basis of a 360 day year and is part of the accreted value from the date of issuance through the date of maturity or prior redemption, compounded as of each semi-annually each June and December 15th. The accreted values of the bonds reflect the initial principal of the bonds as noted above plus the interest accrued from the date of issuance. The bonds are reported at their accreted values of \$1,836,532,635, \$409,988,202, \$222,327,341, and \$527,930,577, respectively as of June 30, 2016. The bonds are payable upon the respective maturity dates at the accreted values or prior to maturity at the greater of the accreted values and the present value of the accreted value discounted at the applicable tax-exempt municipal bond rate plus 30 basis points. Total accreted values at maturity are expected to be \$3,708,585,000, \$1,422,955,000, \$869,075,000 and \$1,273,180,000, respectively.

2009 Series B, 2010 Series B, and 2010 Series C - Build America Bonds

The Series 2009B, 2010B, and 2010C bonds were issued as Build America bonds. These Federally Taxable bonds were issued in connection with the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), constituting Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), for which the Authority, through the State of New Jersey, is entitled to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on each bond series on each interest payment date. The Budget

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

2009 Series B, 2010 Series B, and 2010 Series C - Build America Bonds (Continued)

Control Act of 2011 reduced the amount of the subsidy paid by the United States Treasury. In the fiscal year ended June 30, 2016, the Authority received payments totalling \$36,089,341 that represented 32.6% of the total interest due on June and December 15th for these series collectively. This represents a 6.8% decrease on the original subsidy. There can be no certainty the United States Treasury will not make further cuts to the program. The bonds are subject to redemption prior to their maturity at the option of the Authority upon a material reduction or elimination of the subsidy payments. In this case the redemption price is equal to the greater of 100% of the principal amount of the bonds to be redeemed plus accrued and unpaid interest or the sum of the present value of the remaining scheduled payments of principal and interest, discounted by the adjusted treasury rate plus 40 or 30 basis points. This present value calculation assumes a 360 day year.

2014 Series BB-1 and Series BB-2 Notes – SIFMA Index Bonds

The Series 2014 BB Notes are publicly offered Securities Industry and Financial Markets Association ("SIFMA") Index Multimodal Bonds. Each series bear interest at the SIFMA Index Rate plus an interest rate spread. The interest rate spread for the 2014 Series BB-1 is 1.00%. The interest rate spread for the 2014 Series BB-2 is 1.20%. During the SIFMA Index Rate period, interest in the Notes is payable on the first business day of each month. The notes are subject to redemption prior to maturity at the option of the Authority at any time after June 15, 2019 and June 15, 2021, respectively, at a value equal to 100% of the principal amount of the Notes being redeemed plus accrued interest.

E. ADVANCE REFUNDINGS

When conditions warrant, the Authority sells various issues of bonds to provide for the refunding of previously issued obligations in order to achieve interest cost savings.

The proceeds received from the sales of the bond issues are used to currently refund the outstanding bond issues or to deposit in an irrevocable escrow fund held by an escrow agent an amount that, when combined with interest earnings thereon, will be at least equal to the sum of the first optional redemption date thereof and the premium required to redeem the bonds outstanding on such date. Accordingly, the Authority's assets and the liabilities for defeased bonds are not included in the Authority's financial statements. These transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues.

There were no new refundings in fiscal year ended June 30, 2016.

As of June 30, 2016, the Authority has approximately \$3,475,030,000 bonds outstanding which have been previously defeased and are secured by investments held in escrow by the bond trustee. The escrow accounts are not controlled by the Authority. The bonds are considered extinguished and accordingly, the assets and related debt obligations are not reflected on the financial statements of the Authority.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
 (A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

F. CONCENTRATION OF RISK AND UNCERTAINTIES

Cash and Equivalents

The Authority maintains cash and short-term investment balances which may exceed federally insured limits. It historically has not experienced any credit-related losses.

G. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

- (1) Unamortized bond discount is recorded as an asset (deferred charge) in the statement of net position and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements, bond discounts are expensed when incurred. Balances as of June 30, 2016, were:

Bond discount	\$ 11,730,085
Accumulated amortization	(2,592,571)
Total unamortized bond discount	<u>\$ 9,137,514</u>
Amortization expense	<u>\$ 419,125</u>

- (2) Long-term liabilities (bonds payable, notes payable and accrued interest payable) applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2016, were:

Bonds payable (June 30, 2015)	\$ 16,420,831,527
Add issuance of bonds and notes	626,800,000
Less principal payments and reduction of Garvee Bonds	(488,065,000)
Add accretion of capital appreciation bonds	<u>161,317,227</u>
Total	<u>\$ 16,720,883,754</u>
Accrued interest payable	<u>\$ 28,972,519</u>

- (3) Bond and note proceeds contribute to the change in fund balance in governmental funds. In the government-wide statements, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statements of activities.

Proceeds were received from:

2015 Series AA Notes	<u>\$ 626,800,000</u>
Total Proceeds	<u>\$ 626,800,000</u>

- (4) Repayment of bond principal is reported as an expenditure in governmental funds and thus reduces the net position/fund balance. For the Authority as a whole, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Principal payments, including amounts required for refunding bond issues, were made as follows:

Scheduled principal payments including Garvee Bonds	<u>\$ 488,065,000</u>
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NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

G. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

(5) Unamortized bond premium is recorded as deferred revenue (other liabilities) in the statement of net position and is amortized over the life of the debt. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, bond premiums are recognized as revenue when received. Balances as of June 30, 2016, were:

Bond premium	\$ 855,837,037
Accumulated amortization	<u>(287,389,241)</u>
Total unamortized bond premium	<u>\$ 568,447,796</u>
Amortization revenue	<u>\$ 43,684,502</u>

(6) Deferred gain on advanced refunding is recorded as deferred inflows of resources in the statement of net position and is amortized over the remaining life of the old debt or the life of new debt, whichever is shorter. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, deferred gain on advanced refunding is not applicable. Balances as of June 30, 2016, were:

Gain on advanced refunding	\$ 86,841,342
Accumulated amortization	<u>(75,327,871)</u>
Deferred gain on advanced refunding	<u>\$ 11,513,471</u>
Amortization revenue as component of interest expense	<u>\$ (1,564,583)</u>

(7) The adjustment related to current year bond activity, net, is comprised of the following:

Bond principal payments	\$ (488,065,000)
Garvee bond principal reimbursement	12,835,000
Bond premium	(12,594,618)
Net bonds and notes proceeds	636,879,905
Capital appreciation bonds	<u>161,317,227</u>
Current year bond activity, net	<u>\$ 310,372,514</u>

H. SUBSEQUENT EVENTS

The authorization for the existing TTF program expired on June 30, 2016 and discussions regarding the program's renewal were ongoing between the Legislature and the Administration to come to an agreement on a TTF re-authorization solution for Fiscal Year 2017 and beyond. Until such time, the Administration, through executive order, suspended all non-emergent road, bridge, and rail projects funded by the TTF to ration remaining funds as of June 30, 2016 for emergency use only.

On October 14, 2016 legislation to re-authorize the TTF was passed, with the Governor signing the pending legislation into law. In conjunction with this enacting legislation, an executive order was issued by the Governor to remove the prior moratorium on transportation projects. The new legislation includes a \$.23 per gallon increase in the fuel tax in support of a new eight year, \$16 billion capital projects program. Separately, and to support program costs during fiscal years 2017 and 2018, the Authority, on November 2, 2016, issued \$3.4 billion in Federal Highway Reimbursement Revenue Notes.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

H. SUBSEQUENT EVENTS (CONTINUED)

In connection with the 2014 statement of claim in the matter of the Treasurer of the State of New Jersey and the NJ Transportation Trust Fund Authority vs. Goldman Sachs & Co. and UBS Financial Services regarding NJTTFA's 2003 Series B bonds and the interest rate swap entered into in connection with NJTTFA's 2003 Series B bonds (see Footnote D), a settlement was entered into with UBS Financial Services in November 2015 and a settlement was approved by the TTFA with Goldman Sachs & Co. in October 2016.

As a result, the FINRA arbitration litigation hold that was in place has been removed. All settlement funds received were and will be deposited into the State's General Fund.

SUPPLEMENTARY INFORMATION

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

June 30, 2016

	Transportation Improvement	Debt Service	Total
Cash Balances, June 30, 2015	\$ 124,353	\$ 604,082	\$ 728,435
RECEIPTS			
Motor fuel taxes	-	516,000,000	516,000,000
Commercial vehicle fees and taxes	-	215,000,000	215,000,000
Sales taxes	-	405,687,195	405,687,195
Build America Bond Credits	36,089,341	-	36,089,341
Operating transfers in	650,000	3,900,017	4,550,017
Total Receipts	<u>36,739,341</u>	<u>1,140,587,212</u>	<u>1,177,326,553</u>
DISBURSEMENTS			
Operating expenses and financial costs	94,275	-	94,275
Bond interest expense	-	665,013,968	665,013,968
Principal retirement of bonds payable	-	475,230,000	475,230,000
Cost of issuance	582,928	-	582,928
Operating transfers out	36,089,341	-	36,089,341
Total Disbursements	<u>36,766,544</u>	<u>1,140,243,968</u>	<u>1,177,010,512</u>
Cash Balances, June 30, 2016	<u>\$ 97,150</u>	<u>\$ 947,326</u>	<u>\$ 1,044,476</u>

Note: Cash balances consist of checking account activity only.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Chairperson and Members of
New Jersey Transportation Trust Fund Authority
A Component Unit of the State of New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each fund of the New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected or corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercadieu, P.C.
Certified Public Accountants

November 28, 2016

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

AYE: 4

NAY:

ABSTAIN:

ABSENT: 1

Chairman Richard Hammer declared said motion carried and said resolution adopted.

The next order of business was consideration of a resolution amending Articles IV and V of the Authority's By-laws to create the offices of an Assistant Treasurer and one or more Assistant Secretaries, to state the duties of such offices, and to make such other changes as are necessary to implement these revisions. Notice of the proposed amendments to the By-laws and a copy of such revisions were provided to the board members on December 1, 2016 by the Board Secretary, in accordance with Article XI, Section 2 of the By-laws. Chairman Hammer then asked Gary Brune to lead a discussion on the amendment of the By-laws.

Mr. Brune indicated that these proposed amendments were driven by the need to ensure business continuity at the Authority. He referred the board members to pages 3 through 5 of the By-laws as the operative sections. He noted that currently checks issued to pay TTFA bills related to consultants, cost of issuance, and administrative matters are signed by Anthony Longo as TTFA Treasurer and Mr. Brune as Executive Director. Appointing an Assistant Treasurer would provide a guard against a prolonged or unexpected absence affecting of the TTFA

Treasurer, and while an Assistant Secretary has been elected in the past, it was important to formalize that office in the By-laws to ensure capable support for the Secretary position, which is key from an administrative standpoint.

Chairman Richard Hammer asked if there were any further discussion. Hearing none, he requested a motion to adopt the resolution amending the By-laws of the Authority to provide for the appointment of an Assistant Treasurer and one or more Assistant Secretaries.

Mr. Ferreira moved the following Resolution:

RESOLUTION AMENDING THE BY-LAWS TO PROVIDE FOR APPOINTMENT OF ONE OR MORE ASSISTANT SECRETARIES AND ONE ASSISTANT TREASURER

WHEREAS, the Transportation Trust Fund Authority (the "Authority"), was established pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, N.J.S.A. 27:1B-1 et seq., as amended and supplemented (the "Act") and is authorized, pursuant to the Act, to make and alter By-laws for its organization and internal management; and

WHEREAS, pursuant to Article XI, Section 2 of the duly adopted By-laws of the Authority, the By-laws may be amended by a resolution duly adopted at any meeting of the Authority, provided that notice of intention to present such resolution shall be given at least seven (7) days prior to the meeting of the Authority at which the motion to adopt such resolution is made; and

WHEREAS, notice of intention to present a resolution to amend the By-laws was given to the members of the Authority at least seven (7) days prior to this meeting; and

WHEREAS, Article IV, Section 1 of the Authority's By-laws provides that the Authority may appoint such officers as it shall deem necessary who shall hold their offices for such terms as shall be determined by the Authority and who shall exercise such powers and perform such duties as shall be determined by the Authority; and

WHEREAS, the Authority can operate most efficiently if it has one or more Assistant Secretaries and one Assistant Treasurer who can perform the duties of the Secretary or the Treasurer, respectively, when such officer is not able to do so; and

WHEREAS, the Authority desires to amend certain sections of Article IV and Article V to provide for the appointment of one or more Assistant Secretaries and one Assistant Treasurer, to specify the duties of the such officers, and to make certain conforming changes.

NOW, THEREFORE, BE IT RESOLVED, that:

1. The Authority approves the amendments to the By-laws as set forth in the attached document, including, without limitation, the amendments to Article IV and Article V.
2. This Resolution shall take effect upon adoption in accordance with the Act.

Attachments: Amended By-laws

**NEW JERSEY
TRANSPORTATION TRUST FUND AUTHORITY**

BY-LAWS



**NEW JERSEY
TRANSPORTATION
TRUST FUND**

Preamble

This body corporate and politic, having been created by the "New Jersey Transportation Trust Fund Authority Act," P.L. 1984, c. 73, N.J.S.A. 27:1B et seq., as amended from time to time, (the "Act"), is named the New Jersey Transportation Trust Fund Authority (the "Authority"), and pursuant to Section 6 (c) of the Act, N.J.S.A. 27-1B-6 (c), is authorized to make and alter such By-laws for its operation and internal management and for the conduct of its affairs and business. The By-laws of the Authority are as follows:

I. THE AUTHORITY

Section 1. General Powers. The property, affairs, and business of the Authority shall be managed by the Authority to the extent of powers and authority allocated to the Authority by the Act.

Section 2. Offices. The principal offices of the Authority shall be located at the Department of Transportation, 1035 Parkway Avenue, Trenton, State of New Jersey. The Authority may have offices at such other places within the State of New Jersey as the business of the Authority may require or make desirable as determined by the Authority.

Section 3. Seal. The Authority shall have a seal which shall bear the words "New Jersey Transportation Trust Fund Authority - Established 1984" and shall be of such design as determined by the Authority.

Section 4. Fiscal Year. The fiscal year of the Authority shall be the same as that of the State of New Jersey, which includes the twelve (12) month period commencing at 12:01 a.m. on July 1 of each year and ending 12:01 a.m. the succeeding July 1.

II. AUTHORITY MEETINGS

Section 1. Meetings of the Authority. Meetings of the Authority shall consist of an Annual Meeting, Special Meetings and Emergency Meetings. The Annual Meeting shall be a Special Meeting of the Authority held annually at which the actions set forth in Article II, Section 3 of these bylaws are taken. Notice of all Annual and Special Meetings shall be given in accordance with the requirements of the "Open Public Meetings Law," L. 1975, c. 231. Emergency Meetings shall be called in accordance with Section 4 of these By-Laws and in accordance with the "Open Public Meetings Law."

Section 2. Order of Business. The order of business at meetings of the Authority shall be:

- a. Reading of the "Open Public Meetings Act" statement.

- b. Roll call.
- c. Approval of the minutes of the previous meeting.
- d. Staff reports.
- e. Communications.
- f. Unfinished business.
- g. New Business.

Section 3. Annual Meeting. An annual meeting shall be held at which the Authority shall elect a Vice Chairperson, Treasurer and Secretary pursuant to Article IV of these By-laws. Notice of the Annual Meeting shall be given in accordance with the "Open Public Meetings Law."

Section 4. Special Meetings. Special meetings of the Authority may be called at any time by the Chairperson. The Chairperson may fix any time and place as the time and place for holding any special meeting. The Secretary shall be informed of the call of such special meeting sufficiently in advance to permit the Secretary to give adequate notice as defined under the "Open Public Meetings Law."

Section 5. Emergency Meeting. Emergency meetings may be called by the Chairperson at any time in accordance with the "Open Public Meetings Law."

Section 6. Quorum. Four members shall constitute a quorum. If a quorum shall not be present at any meeting of the Authority, the Authority members present may agree to meet at another time and place. Notice of any such adjourned meeting shall be given in accordance with the requirements of the "Open Public Meetings Law."

Section 7. Manner of Acting. On any question presented, the number of members present shall be recorded by the Secretary. Actions may be taken and motions and resolutions adopted by the Authority upon the affirmative vote of at least four members.

Section 8. Minutes of Meetings. The minutes of each meeting shall reflect the presence of each member in attendance. A true copy of the minutes of every meeting of the Authority shall be prepared and forthwith delivered under the certification of the Secretary to the Governor. No action taken at such meetings by the Authority shall have force or effect until 15 days after a copy of the minutes has been delivered, unless during that 15-day period, the Governor shall approve in writing the same or any part thereof, in which case the action shall become effective upon approval. However, if the last day of the 15-day period is a Saturday, Sunday or legal holiday, the 15-day period shall be deemed extended to the next business day. If, in that 15-day

period, the Governor returns the copy of the minutes with a veto of any action taken by the Authority at that meeting, the action shall be of no effect.

III. MEMBERS AND DESIGNEES

Section 1. Members. The Authority shall consist of seven members as follows: The Commissioner of the New Jersey Department of Transportation and the Treasurer of the State of New Jersey, who shall be members ex-officio, and five public members three of whom shall be appointed by the Governor, with the advice and consent of the Senate, one of whom shall represent the interests of trade unions that work on the construction of public highways and the other shall represent the interests of owners of firms that are eligible to submit bids for the construction of public highways, and the two remaining to be appointed by the Governor, one upon the recommendation of the President of the Senate and the other upon recommendation of the Speaker of the General Assembly. No more than four members of the Authority shall be of the same political party.

Section 2. Terms of Public Members. The public members appointed by the Governor shall serve four-year terms, the public member appointed by the Governor upon recommendation of the President of the Senate shall serve for a four-year term, and the public member appointed upon recommendation of the Speaker of the General Assembly shall serve for a two-year term. Each public member shall hold office for the term of the members' appointment and until the member's successor shall have been appointed and qualified. A member shall be eligible for reappointment.

Section 3. Designees. Each ex-officio member may designate an employee of the member's department to represent that member at meetings of the Authority, and the designee may lawfully vote and otherwise act on behalf of that member. The designation shall be in writing delivered to the Authority and shall continue in effect until revoked or amended by a writing delivered to the Authority.

Section 4. Vacancies. Any vacancies occurring among the members of the Board by reason of death, resignation, disqualification, incapacity to serve, removal from office in accordance with law, or otherwise, shall be filled in the manner provided for the Act. No vacancy in the membership of the Authority shall impair the right of a quorum to exercise all the rights and perform all the duties of the Authority.

Section 5. Expenses. Each member of the Authority shall be reimbursed for actual expenses necessarily incurred in the performance of the Authority duties, pursuant to policies established by the Authority.

IV. OFFICERS

Section 1. Number. The offices of the Authority shall be a Chairperson, a Vice Chairperson, a Treasurer, and a Secretary, an Assistant Treasurer and an Assistant Secretary, and

may also include an Executive Director if established pursuant to these By-laws. The Authority may also appoint such other officers as it shall deem necessary, including, but not limited to, a Comptroller, who shall hold their offices for such terms as shall be determined by the Authority and who shall exercise such powers and perform such duties as shall be determined from time to time by the Authority.

Section 2. Selection and Terms of Office. The Chairperson shall be the Commissioner of Transportation. The Vice Chairperson shall be elected annually from among the remaining members of the Authority. The Secretary and Treasurer shall be elected by the Authority, and need not be members thereof, and the same person may be elected to serve as both Secretary and Treasurer. The Executive Director shall not be a member of the Authority and shall be designated at any annual or special meeting and hold office for such term or period of time and at such salary as the Authority shall determine. The Comptroller shall not be a member of the Authority and shall be designated at any annual or special meeting and hold office for such term or period of time and at such salary as the Authority shall determine. Vacancies in any office, other than in the office of the Chairperson, may be filled by the Authority, as appropriate under this Section.

V. DUTIES OF OFFICERS

Section 1. Chairperson. The Chairperson shall preside at all meetings of the Authority and shall have general control over the business and affairs of the Authority, subject to the direction of the Authority.

Section 2. Vice Chairperson. The Vice Chairperson shall perform the duties of the Chairperson in the event that the Chairperson is unable to perform such duties by reason of illness, disability or absence, or when requested to perform such duties by the Chairperson. The Vice Chairperson shall perform such other duties as may from time to time be assigned by the Chairperson of the Authority.

Section 3. Secretary. The Secretary shall keep the official records of the Authority, minutes of the actions taken at the meetings of the Authority, and the seal of the Authority, shall certify, when required, copies of records, and shall, from time to time, perform such other duties as shall be assigned to the Secretary of the Authority. The Secretary shall certify and deliver forthwith a true copy of the minutes of every meeting of the Authority to the Governor. Under the direction of the Chairperson or the Executive Director, the Secretary shall also prepare any reports, for approval by the Authority, to be submitted to the Legislature pursuant to the Act. The Secretary may adopt a facsimile signature to be utilized in the performance of assigned responsibilities.

Section 4. Assistant Secretary. The Authority may by resolution appoint one or more Assistant Secretaries. At the request of the Secretary or in the event of the Secretary's absence

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or disability, an Assistant Secretary may perform any and all duties and possess all the powers of the Secretary.

Section 54. Treasurer. The Treasurer shall perform, in general, all the duties incident to the office of Treasurer, and such other duties as may from time to time be assigned by the Authority. The actions of the Treasurer shall be consistent with the accounting policies adopted by the Authority. In the absence of the Treasurer, his or her functions may be performed by any official of the Authority designated by the Chairperson subject to the designee's prior approval by the Authority. The Treasurer may adopt a facsimile signature to be utilized in the performance of assigned responsibilities.

The Treasurer shall be required to execute a surety bond conditioned upon the faithful performance of the duties incident to the office of Treasurer and such other duties as may from time to time be assigned by the Authority. Said bond shall be in such form and amount as may be prescribed by the Authority and shall be filed with the Authority. At all times thereafter, the Treasurer shall maintain said bond in full force and effect. All costs of such bond shall be borne by the Authority.

Section 6. Assistant Treasurer. The Authority may by resolution appoint an Assistant Treasurer. At the request of the Treasurer or in the event of the Treasurer's absence or disability, the Assistant Treasurer may perform any and all duties and possess all the powers of the Treasurer.

Section 76. Executive Director. The Executive Director shall have all such power and authority as may be delegated in accordance with these By-laws, or by actions of the Authority. The Executive Director shall, subject to the provisions of these By-laws and any other directive of the Authority consistent with the Act, be generally in administrative charge of all activities of the Authority. In addition to any other duties assigned by these By-laws or by action of the Authority, the Executive Director shall have the following powers and duties:

- a. To supervise, direct, and assign the functions and duties of any staff as may, from time to time be appointed by the Authority;
- b. To prepare and submit a proposed annual budget for the Authority for each ensuing year for adoption by the Authority;
- c. To supervise the procedures for procurement of all supplies, materials and equipment needed for the efficient and effective operation of the Authority, subject to review by the Authority and to authorize or arrange for expenditures pursuant to contracts or purchase orders, upon such terms and conditions as the Executive Director may deem proper for said supplies, materials and equipment when such expenditures do not exceed \$10,000; and
- d. To provide appropriate staff members with grants of operating authority in accordance with resolutions adopted by the Authority.

Section 87. Comptroller. The Comptroller shall report to and be under the supervision of the Executive Director. The Comptroller shall have the powers and duties as may be delegated in accordance with these By-laws, by resolutions of the Authority and as assigned by the Chairperson or the Executive Director, from time to time. In addition, the Comptroller shall have the following duties:

- a. To administer the accounting and financial reporting of the Transportation Trust Fund in accordance with the Act;
- b. To represent the Authority in business matters, including but not limited to, banking, investments and bond issuances authorized under the Act and the Authority's resolutions;
- c. To coordinate responses from the Authority to inquires of public agencies and private entities, including, but not limited to, the Internal Revenue Service, at the request of the Chairperson or the Executive Director;
- d. To coordinate the work of multi-disciplinary teams from public agencies and private entities, including, without limitation, bond counsel, financial advisors, underwriters and accountants; and
- e. To monitor internal controls of the Authority relating to financial and administrative matters.

VI. COMMITTEES

Section 1. Appointment. The Authority may appoint such Committees as may be necessary to facilitate its purposes from time to time.

Section 2. Finance Committee. There is hereby established a Finance Committee of the Authority. Said Finance Committee shall be comprised as proposed by the Authority.

Section 3. Audit Committee. The Audit Committee shall be responsible for assisting the Board in retaining an independent auditor to conduct an audit of the Authority's financial statements by making a recommendation to the Board after engaging in an auditor selection process, and assisting in the financial reporting and audit process of the Authority, all in accordance with the provisions of Executive Order No. 122 (McGreevey 2004). The Audit Committee shall meet at least twice (2) each year. Criteria for membership on the Audit Committee is governed by the provisions of Executive Order No. 122 (McGreevey 2004).

Section 4. Evaluation Committee. The Evaluation Committee shall be responsible for conducting the solicitation and evaluation of eligible independent auditors. The Evaluation Committee is responsible for drafting requests for proposals ("RFPs"), soliciting responses to such RFPs, accepting and evaluating proposals and providing a final written report to the Audit Committee, all in accordance with the provisions of Executive Order No. 122 (McGreevey

2004). The Evaluation Committee may draw upon the expertise of the Department of the Treasury, Division of Purchase and Property to assist it in the drafting of the RFPs, soliciting proposals in response to the RFPs and evaluating proposals. Criteria for membership on the Evaluation Committee is governed by the provisions of Executive Order No. 122 (McGreevey 2004).

VII. DEPOSITS

Section 1. General. Except as may otherwise be provided in any resolution of the Authority or in the Act, all funds of the Authority, except petty cash, shall be deposited from time to time to the credit of the Authority in such banks, trust companies, or other depositories as may be approved by the Authority.

VIII. AUTHORIZED SIGNATURES

The Chairperson, the Vice Chairperson and such other members or officers as may be authorized by resolution of the Authority are hereby authorized to execute on behalf of the Authority, all documents, indentures, bonds and other instruments as may be authorized by these By-laws, the Act or any resolution of the Authority. The Chairperson, the Vice Chairperson and such other members or officers as may be so authorized by the Authority may adopt a facsimile signature to be utilized in the execution of such documents, bonds and other instruments.

IX. ADDITIONAL STAFF

The Authority shall name and appoint, from time to time, such additional officers, consultants and employees as it may require, and shall, by resolution or amendment of these By-laws, designate their duties and under whose supervision or direction they shall serve.

X. INDEMNIFICATION OF MEMBERS, OFFICERS AND EMPLOYEES

Section 1. General. To the extent that any insurance then in effect may not be applicable, each person now or hereafter who was or is a party, or threatened to be made a party, to any pending, threatened or completed action, suit or proceeding, whether civil, administrative or investigative (other than an action by or in the right of the Authority), by reason of the fact that such person is or was a member, officer or employee of the Authority, shall be indemnified and reimbursed by the Authority for damages incurred in connection therewith to the full extent indemnification is permitted with respect to the State entities under and pursuant to the New Jersey Tort Claims Act (N.J.S.A. 59:1-1 et seq.).

Section 2. Procurement of insurance. The Authority shall take all steps necessary to carry out the purpose of this Article, including the procurement of Directors and Officers

Liability insurance. With respect to the procurement of such Directors and Officers Liability insurance, the Authority shall reserve in escrow such minimum balance as may be needed to cover the deductible portion, if any, of claims which may arise against Authority members, officers or employees in the course of carrying out their respective duties.

XI. BY-LAWS

Section 1. Adoption. These By-laws shall be effective as of the date of the resolution of the Authority by which they are adopted becomes effective.

Section 2. Amendment. These By-laws may be amended by a resolution duly adopted at any meeting of the Authority, provided that notice of intention to present such resolution shall be given at least seven days prior to the meeting of the Authority at which the motion to adopt such resolution is made.

Section 3. Suspension. The provisions of these By-laws may be suspended, in whole or part, by a resolution duly adopted at any meeting.

As Amended: 12-12-2016

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

AYE: 4

NAY:

ABSTAIN:

ABSENT: 1

Chairman Richard Hammer declared said motion carried and said resolution adopted.

The next order of business was consideration of a resolution appointing an Assistant Treasurer of the Authority: David K. Moore, from the Department of the Treasury. Chairman Hammer stated that as provided in the amended By-laws, the Assistant Treasurer will be authorized to act during the Treasurer's absence which will ensure that the business activities of the Authority are not unduly delayed. Chairman Hammer then asked Gary Brune to summarize the need for this action.

Mr. Brune stated David K. Moore works on a daily basis with Anthony Longo at the Office of Public Finance and is therefore a natural choice to fill in as TTFA Treasurer if Anthony Longo is not available. Mr. Brune indicated that Mr. Moore has been contacted about serving in this role and he agreed to do so.

Chairman Richard Hammer asked if there were any further discussion. Hearing none, he requested a motion to adopt the resolution appointing David K. Moore to serve as Assistant Treasurer of the Authority.

Mr. Longo moved the following resolution:

APPOINTMENT OF AN ASSISTANT TREASURER

WHEREAS, the New Jersey Transportation Trust Fund Authority Act of 1984, N.J.S.A. 27:1B-1 et seq. and the By-laws of the Authority provide for the annual election of Authority officers, including a Secretary and Treasurer; and

WHEREAS, the By-laws further provide that the Board may appoint an Assistant Treasurer to perform the duties of such Treasurer, at the request of such officer or in such officer's absence; and

WHEREAS, there is a need to appoint an Assistant Treasurer of the Authority to be available to act during the Treasurer's absence to ensure that the business activities of the Authority are not unduly delayed; and

WHEREAS, the Chairperson of the Authority has recommended that David K. Moore be appointed to serve as Assistant Treasurer of the Authority, and has requested that the Board approve such appointments;

NOW, THEREFORE, BE IT RESOLVED THAT:

1. David K. Moore is appointed as Assistant Treasurer of the Authority and such appointment is hereby approved by the Authority.
2. The Assistant Treasurer may perform the functions of Treasurer, in his absence, or upon his request, and such other functions as assigned by the Authority in accordance with the By-laws.
3. The Assistant Treasurer each shall serve in those respective offices until a successor is appointed and approved.
4. This Resolution shall take effect in accordance with the Act.

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

AYE: 4

NAY:

ABSTAIN:

ABSENT: 1

Chairman Richard Hammer declared said motion carried and said resolution adopted.

As the next order of business, Chairman Richard Hammer requested Gary Brune to lead a discussion regarding the proposed amendments to the disbursement agreements between the Authority and U.S. Bank relating to the 1995 Transportation System Bond Resolution and the 2012 Transportation Program Bond Resolution. The amendments will revise the list of the Authority's authorized signatories under these agreements and provide for a more streamlined method of replacing such signatories in the future. The Chairman noted that a separate resolution would need to be adopted by the board for each agreement.

Mr. Brune indicated that there were several reasons for this resolution covering the TTFA System Bonds and its companion affecting the TTFA's Program Bonds authorized under the 2012 Transportation Program Bond Resolution. The current disbursement agreements with the bond trustee identify as the authorized signatories, Gary Brune, the executive director, and Judy Sigle, who formerly served as TTFA Comptroller but retired from NJDOT several years ago.

From a fiscal control standpoint, it is not ideal to have the Comptroller handle this signatory function given the financial oversight duties associated with the Comptroller position. He stated that the proposed resolution continues to list the Executive Director but in place of the Comptroller it substitutes both the TTFA Treasurer and the Assistant Treasurer as authorized signatories. Finally, to simplify this process administratively, the Executive Director is authorized to update the agreement in the future in the event of turnover, substituting the names of the replacements for these positions without having to return to the Board for approval.

Chairman Richard Hammer asked if there were any further discussion. Hearing none, he requested a motion to adopt the resolution amending the disbursement agreement for Transportation System Bond Resolution.

Mr. Lalevee moved the following resolution:

**RESOLUTION OF THE NEW JERSEY TRANSPORTATION TRUST FUND
AUTHORITY AUTHORIZING AMENDMENT OF SCHEDULE B-1 TO
DISBURSEMENT AGREEMENT WITH U.S. BANK NATIONAL ASSOCIATION
RELATING TO 1995 TRANSPORTATION SYSTEM BOND RESOLUTION**

WHEREAS, pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, L. 1984, c. 73 (N.J.S.A. 27:1B-1, *et seq.*), as amended and supplemented (the "Act"), the Transportation Trust Fund Authority (the "Authority") is established and allocated within the Department of Transportation; and

WHEREAS, the Authority is constituted as an instrumentality of the State of New Jersey (the "State") exercising public and essential governmental functions; and

WHEREAS, the Authority entered into a Disbursement Agreement (the "Agreement") with U.S. Bank National Association ("U.S. Bank") dated as of December 1, 2012, with respect to the Authority's 1995 Transportation System Bond Resolution, adopted on June 15, 1995, as amended and supplemented from time to time; and

WHEREAS, pursuant to Section 4(b) of the Agreement, the Authority was required to designate officers of the Authority who were authorized to execute and certify requisitions and other documents under the Agreement on behalf of the Authority, and such authorized signatories were identified on Schedule B-1 to the Agreement, which is attached hereto as Exhibit "A"; and

WHEREAS, Section 4(b) of the Agreement allows the Authority to amend Schedule B-1 of the Agreement from time to time to designate new or additional authorized signatories; and

WHEREAS, the Authority desires to amend the list of authorized signatories to the Agreement by approving an amended Schedule B-1, which will include the Executive Director, the Treasurer and the Assistant Treasurer of the Authority, and to authorize the execution and delivery of such amended Schedule B-1 to U.S. Bank to replace the existing Schedule B-1 in its entirety; and

WHEREAS, upon a change in the person or persons holding the office of Executive Director, Treasurer and/or Assistant Treasurer, the Authority also desires to authorize the Executive Director to undertake the amendment of the Schedule B-1 to include such new officers and to deliver such amended Schedule B-1 to U.S. Bank without having to obtain the Board's approval to ensure that the business activities of the Authority are not unduly delayed.

NOW, THEREFORE, BE IT RESOLVED BY THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY, THAT:

1. The Authority hereby designates the persons holding the offices of Executive Director, Treasurer and Assistant Treasurer as authorized signatories under Section 4(b) of the Agreement.
2. The Authority further approves the persons listed on amended Schedule B-1, attached hereto as Exhibit "B," as authorized signatories under and pursuant to Section 4(b) of the Agreement.

3. The Authority directs such authorized signatories to execute the amended Schedule B-1, and the Executive Director is further directed and authorized to deliver such amended Schedule B-1 to U.S. Bank.
4. It is the Authority's intention that upon such delivery, the existing Schedule B-1 to the Agreement shall be deemed to have been amended and restated and replaced in full by the amended Schedule B-1, and the amended Schedule B-1 shall be deemed to be the "Schedule B-1" for all purposes of the Agreement.
5. Upon a change in the person or persons holding the office of Executive Director, Treasurer and/or Assistant Treasurer of the Authority, the Executive Director is hereby authorized to prepare an amended Schedule B-1 containing the names of such new officers, to have the new officers execute such amended Schedule B-1 and to deliver such amended Schedule B-1 to U.S. Bank to replace then existing Schedule B-1 in its entirety.
6. The Executive Director of the Authority is further authorized and directed to take any and all actions and to execute any and all documents necessary to effectuate the terms of this Resolution.
7. This Resolution shall take effect upon adoption in accordance with the Act.

EXHIBIT A

Schedule B-1 to Disbursement Agreement

[See Attached]

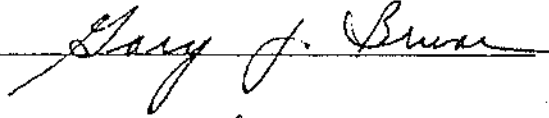
SCHEDULE B-1

AUTHORIZED REPRESENTATIVES

Name and Title

Signature

GARY BRUNE, Executive Director

A handwritten signature in cursive script, reading "Gary J. Brune", written over a horizontal line.

JUDITH SIGLE, Comptroller

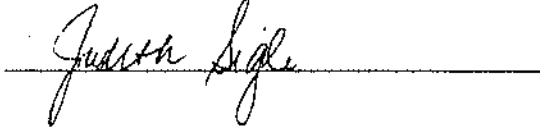
A handwritten signature in cursive script, reading "Judith Sigle", written over a horizontal line.

EXHIBIT B

Amended Schedule B-1 to Disbursement Agreement

AMENDMENT
TO
SCHEDULE B-1
OF
12-1-2012
DISBURSEMENT AGREEMENT
AUTHORIZED REPRESENTATIVES

Name and Title

Signature

GARY J. BRUNE
Executive Director

ANTHONY M. LONGO, JR.
Treasurer

DAVID K. MOORE
Assistant Treasurer

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

AYE: 4

NAY:

ABSTAIN:

ABSENT: 1

Chairman Richard Hammer declared said motion carried and said resolution adopted.

As the next order of business, Chairman Richard Hammer requested a motion to adopt the resolution amending the disbursement agreement for 2012 Transportation Program Bond Resolution.

Mr. Lalevee moved the following resolution:

**RESOLUTION OF THE NEW JERSEY TRANSPORTATION TRUST FUND
AUTHORITY AUTHORIZING AMENDMENT OF SCHEDULE B-1 TO
DISBURSEMENT AGREEMENT WITH U.S. BANK NATIONAL ASSOCIATION
RELATING TO 2012 TRANSPORTATION PROGRAM BOND RESOLUTION**

WHEREAS, pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, L. 1984, c. 73 (N.J.S.A. 27:1B-1, et seq.), as amended and supplemented (the "Act"), the Transportation Trust Fund Authority (the "Authority") is established and allocated within the Department of Transportation; and

WHEREAS, the Authority is constituted as an instrumentality of the State of New Jersey (the "State") exercising public and essential governmental functions; and

WHEREAS, the Authority entered into a Disbursement Agreement (the "Agreement") with U.S. Bank National Association ("U.S. Bank") dated as of December 1, 2012, with respect to the Authority's 2012 Transportation Program Bond Resolution, adopted on October 26, 2012, as amended and supplemented from time to time; and

WHEREAS, pursuant to Section 4(b) of the Agreement, the Authority was required to designate officers of the Authority who were authorized to execute and certify requisitions and other documents under the Agreement on behalf of the Authority, and such authorized signatories were identified on Schedule B-1 to the Agreement, which is attached hereto as Exhibit "A"; and

WHEREAS, Section 4(b) of the Agreement allows the Authority to amend Schedule B-1 of the Agreement from time to time to designate new or additional authorized signatories; and

WHEREAS, the Authority desires to amend the list of authorized signatories to the Agreement by approving an amended Schedule B-1, which will include the Executive Director, the Treasurer and the Assistant Treasurers of the Authority, and to authorize the execution and delivery of such amended Schedule B-1 to U.S. Bank to replace the existing Schedule B-1 in its entirety; and

WHEREAS, upon a change in the person or persons holding the office of Executive Director, Treasurer and/or Assistant Treasurer, the Authority also desires to authorize the Executive Director to undertake the amendment of the Schedule B-1 to include such new officers and to deliver such amended Schedule B-1 to U.S. Bank without having to obtain the Board's approval to ensure that the business activities of the Authority are not unduly delayed.

NOW, THEREFORE, BE IT RESOLVED BY THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY, THAT:

1. The Authority hereby designates the persons holding the offices of Executive Director, Treasurer and Assistant Treasurer as authorized signatories under Section 4(b) of the Agreement.
2. The Authority further approves the persons listed on amended Schedule B-1, attached hereto as Exhibit "B," as authorized signatories under and pursuant to Section 4(b) of the Agreement.

3. The Authority directs such authorized signatories to execute the amended Schedule B-1, and the Executive Director is further directed and authorized to deliver such amended Schedule B-1 to U.S. Bank.
4. It is the Authority's intention that upon such delivery, the existing Schedule B-1 to the Agreement shall be deemed to have been amended and restated and replaced in full by the amended Schedule B-1, and the amended Schedule B-1 shall be deemed to be the "Schedule B-1" for all purposes of the Agreement.
5. Upon a change in the person or persons holding the office of Executive Director, Treasurer and/or Assistant Treasurer of the Authority, the Executive Director is hereby authorized to prepare an amended Schedule B-1 containing the names of such new officers, to have the new officers execute such amended Schedule B-1 and to deliver such amended Schedule B-1 to U.S. Bank to replace then existing Schedule B-1 in its entirety.
6. The Executive Director of the Authority is further authorized and directed to take any and all actions and to execute any and all documents necessary to effectuate the terms of this Resolution.
7. This Resolution shall take effect upon adoption in accordance with the Act.

EXHIBIT A

Schedule B-1 to Disbursement Agreement

[See Attached]

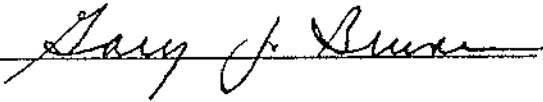
SCHEDULE B-1

AUTHORIZED REPRESENTATIVES

Name and Title

Signature

GARY BRUNE, Executive Director

A handwritten signature in cursive script, appearing to read "Gary J. Brune", written over a horizontal line.

JUDITH SIGLE, Comptroller

A handwritten signature in cursive script, appearing to read "Judith Sigle", written over a horizontal line.

EXHIBIT B

Amended Schedule B-1 to Disbursement Agreement

AMENDMENT
TO
SCHEDULE B-1
OF
12-1-2012
DISBURSEMENT AGREEMENT
AUTHORIZED REPRESENTATIVES

Name and Title

Signature

GARY J. BRUNE
Executive Director

ANTHONY M. LONGO, JR.
Treasurer

DAVID K. MOORE
Assistant Treasurer

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

AYE: 4

NAY:

ABSTAIN:

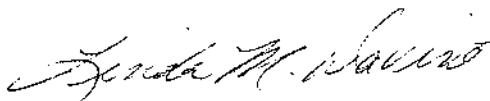
ABSENT: 1

Chairman Richard Hammer declared said motion carried and said resolution adopted.

There being no further business coming from the Authority, Chairman Richard Hammer requested a motion to adjourn the meeting. Mr. Longo moved that the December 12, 2016 meeting of the New Jersey Transportation Trust Fund Authority be adjourned and such motion was seconded by Mr. Ferreira, and was carried.

The December 12, 2016 meeting of the New Jersey Transportation Trust Fund Authority ended at approximately 2:16 PM.

Respectfully Submitted,



Linda M. Davino

Secretary of the Authority