



NJ TRANSIT
2020 Annual Report



Vision, Commitment & Customer Focus

THE PATHWAY TO EXCELLENCE

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Letter from PHIL MURPHY



Governor, State of New Jersey

It has been an historic year for NJ TRANSIT – one punctuated by challenges and loss, but also by growth and strength.

Before and during our current public health emergency, we made critical investments and undertook long-overdue reforms to NJ TRANSIT operations, which unquestionably improved both reliability and performance.

To safeguard this progress, I joined NJ TRANSIT President & CEO Kevin Corbett in June to unveil two new transformative plans for NJ TRANSIT - a ten-year strategic plan, NJT2030, and a five-year Capital Plan. Together, these plans put forward a vision for how NJ TRANSIT will remediate a decade-long period of disinvestment, and further transform the agency's core business functions to regain the confidence of customers, stakeholders, and the communities it serves.

This year has demanded nothing short of extraordinary dedication from NJ TRANSIT employees, and the agency has risen to meet the extreme challenges posed by the coronavirus pandemic head-on.

Tragically, more than a dozen members of the NJ TRANSIT family have passed away due to confirmed COVID-19-related complications, including senior vice president and general manager of rail operations, Ray Kenny. We salute their courage and commitment to serve and honor their memories. These brave members of NJ TRANSIT's team - and indeed all of NJ TRANSIT's nearly 12,000 employees - never forgot their crucial mission during this time: to get our essential workers where they needed to go in order to save lives and keep our economy moving.

At the same time, we spared no effort or expense to safeguard and protect NJ TRANSIT customers and employees from the ravages of this pandemic, and I signed many Executive Orders to that effect, as well, as detailed later in this report.

We heard the voices of our communities calling for a larger, more diverse Board of Directors, representing a wider range of experiences and backgrounds. The addition of seven new Board members shows that, now more than ever, we are listening. We added a range of professionals - from a former State Senator, to a civil engineer, to a train conductor - to our already dedicated and distinguished Board, building perspective and experience into operations and increasing oversight and accountability. We welcome and thank these new Board members for their commitment to serve, and for lending their expertise to help lead NJ TRANSIT into a new era.

The reforms and investments we've made are paying off in our goal to return NJ TRANSIT to its rightful place as a nationwide model for transit agencies. To get there, we are making sure we have the best people, the best equipment, and the best infrastructure to deliver on our promises.

NJ TRANSIT's employees are its greatest resource, and the agency is investing in people like never before. More than 76 locomotive engineers have joined NJ TRANSIT since 2018, and it's been my pleasure to attend many of their graduation ceremonies. We're now fast approaching a full roster of locomotive engineers, which is an essential element to improving reliability for customers.

Overall, since 2018, the agency has also hired more than 800 new bus operators. Before the pandemic struck, these new bus operators put NJ TRANSIT on track to add more than half-a-million additional passenger trips per year. At the same time, hundreds of new rail cars and buses are on order to replace older equipment,

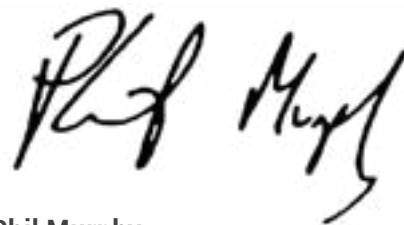
while \$4 billion worth of capital projects are underway or soon to enter the procurement process, including the \$1.8 billion Portal North Bridge Replacement project, now advancing into the engineering phase.

Also, as our state's residents are living in uncertain times, NJ TRANSIT has provided stability in its fares. This is the third straight year without a fare increase for NJ TRANSIT customers, because we refuse to balance NJ TRANSIT's budget on the backs of commuters - especially now that we know how critically important it is for our essential workers to get to their jobs, and how many people simply cannot take on additional expenses at this time.

In these difficult times, we must never become myopic, looking only at today and our present challenges. We must continue to look forward, focusing not just on today, but also on the opportunities we have to make New Jersey better and stronger than ever.

That's why, in closing, I want to thank NJDOT Commissioner and Board Chair Diane Gutierrez-Scaccetti and Kevin Corbett for their steady focus, not only on the present crisis, but also on building and maintaining a safe, modern, and reliable mass transit system that will serve as the foundation our state needs to regrow our economy following the COVID-19 pandemic.

Our work to fully transform NJ TRANSIT is far from over, but with each passing year, we make extraordinary progress.



Phil Murphy
Governor, State of New Jersey

Letter from DIANE GUTIERREZ- SCACCETTI



NJ TRANSIT Board Chair And
Commissioner Of The New Jersey
Department Of Transportation

This year, in the midst of a global pandemic that's touched every one of us, NJ TRANSIT continued its work to bring truly innovative and meaningful reform to the agency.

To be sure, the coronavirus pandemic threw unexpected and unprecedented challenges our way. But I am so proud of the way this agency has risen to the challenge, with a competence and efficiency that would have been unimaginable before Governor Murphy led the charge to enact many long-overdue reforms.

One of the most significant outcomes of this transformational work is our new strategic plan - NJT2030 - which lays out a comprehensive vision for what we will achieve over the next decade. The plan's five overarching goals, 26 strategies, and more than 100 strategic initiatives carve out an ambitious roadmap for NJ TRANSIT. But this plan is really about our customers, and putting them first in every decision we make. We've included metrics to measure success, which also hold us accountable for meeting deliverables within the first two years, in years three through five, and years six through ten. Some of these deliverables include: goals for improving on-time-performance; increasing service on the most congested bus routes; fleet replacement, including the advancement of our net-zero emissions bus program; station rehabilitations; and improving accessibility to the system.

Another significant reform this year came through our work to build-out and strengthen NJ TRANSIT's Board of Directors. This work began soon after Governor Murphy took office and signed legislation to comprehensively reform NJ TRANSIT's governance and management structure - the first significant change to this structure since our creation in 1979. As a result, this year we added seven highly-qualified and respected members to our Board - including long-time

NJ TRANSIT customers, representatives from throughout the state, and members with significant transportation policy experience. Together, these new Board members bring to our organization a diversity of viewpoints and invaluable experience that will help us accelerate our transformation, while at the same time increasing oversight and accountability.

Despite the many challenges posed by the pandemic, we owe it to New Jerseyans and our entire region to keep pushing forward aggressively to improve service and operations - to never allow this virus to slow us down. That's why we continue the rapid modernization of our fleet to improve reliability and on-time performance, and reduce service interruptions. This year, we begin taking delivery of 17 new dual-mode locomotives - providing additional reliability and flexibility to operate on both electrified and non-electrified track - and in July, our Board approved the purchase of eight additional dual-mode locomotives. Also joining our fleet this year are 119 new cruiser buses and 110 new articulated buses. Following these significant modernizations, in 2023, we begin taking delivery of 113 new multilevel railcars, to replace 40-plus year-old Arrow III cars.

Also on the rail side, and despite the pandemic, we have been maintaining critical training schedules for our Locomotive Engineer Training Program (LETP). Thanks to these efforts, the total number of new engineers that have joined NJ TRANSIT since 2018 is 76, and the total active roster of engineers is 373 - up from a low of 331. Over the two-year period between 2019 and 2020, we will graduate the same number of engineer classes as the previous five years combined. And once we have fully restored the ranks of locomotive engineers, we are committed to maintaining a full pipeline of trainees to keep pace with attrition - because a sufficient complement of locomotive engineers is an essential element to improving reliability for our customers. In addition to unprecedented locomotive engineer training and hiring, we have also graduated more than 800 new Bus Operators since January of 2018.

We unveiled an ambitious five-year Capital Plan this year, with more than 100 projects and programs, ranging from \$1 million to \$3 billion. One of the most prominent projects in this Plan is our \$1.8 billion Portal North Bridge project, a key element of the overall Gateway Program. The FTA recently gave us approval to advance the Portal North Bridge replacement project to the engineering phase, while committing to give us the nearly \$800 million we need to fully fund it. This development is a huge win for our customers and our region. In addition to a dramatic improvement in overall service to and from New York Penn Station, the one-time total economic output of the project on the New Jersey economy will be around \$3 billion, including the direct, indirect, and induced economic impacts.

I'd like to once again thank Governor Murphy for his support and his leadership. I'd also like to thank the New Jersey State Legislature and New Jersey's Congressional Delegation for working closely with us to bring meaningful change to NJ TRANSIT. And my thanks to Kevin Corbett for his commitment to the vision of what NJ TRANSIT can be - a leader in delivering public transit. There's no question we still face significant challenges, and we have a great deal of work ahead of us. But - when you consider our new capital and strategic plans, a full roster of locomotive engineers now on the horizon, our newly-enhanced Board of Directors, and hundreds of new trains and buses soon to join our fleet - there's also no doubt in my mind that we will continue to transform NJ TRANSIT to give our region the world-class transit system it deserves.



Diane Gutierrez-Scaccetti

Commissioner, NJ Department of Transportation
Board Chair, NJ TRANSIT

Letter from KEVIN S. CORBETT



NJ TRANSIT President & CEO

I can't begin sharing the summary of progress, accomplishments and activities of Fiscal Year 2020 without first addressing the impacts of the coronavirus pandemic on NJ TRANSIT.

COVID-19 has touched nearly every aspect of American life, and NJ TRANSIT is certainly no exception. The pandemic took an enormous toll on NJ TRANSIT ridership, operations, finances, and our workforce. At the same time, our dedicated employees have kept the system moving for essential employees who were on the front lines of this pandemic, and I could not be more proud of the way our workforce has come together to deliver for our customers during these unsettling times. We have taken extraordinary measures to protect customers and employees, and I truly believe there is no better example nationally of how a transit system should respond to such an event.

Despite the myriad challenges in responding to and recovering from COVID-19, this is an exciting time for NJ TRANSIT. In June, we unveiled two new transformational plans for our organization: our 10-year strategic plan, NJT2030, and our new, 5-year Capital Plan. The release of these plans - both living documents that will continue to be refined moving forward, and both first of their kinds in our agency's history - marked the culmination of more than two years of hard work by NJ TRANSIT employees from across our organization. Together, they will help us build on the significant progress we have made over the past two years, support our state's economic recovery following the COVID-19 pandemic, and provide a roadmap that will guide decision-making as we move forward over the next decade.

Our \$17 billion Capital Plan focuses on state-of-good-repair, fleet modernization and key service expansions and includes many major, long-stalled projects that we are now advancing. For context of the progress over the last two years, in 2017, NJ TRANSIT had approximately \$60 million in hard money contracts out on the street. Since 2018, we have \$2.3 billion in capital projects that are underway or soon to enter the procurement process.

That figure doesn't include our Portal North Bridge project, estimated at \$1.8 billion, which is now moving from the engineering phase toward a full funding grant agreement. In total, NJ TRANSIT is currently advancing more than \$4 billion in construction work that will not only improve our transit system, but will add thousands of jobs and billions in economic activity for New Jersey and our entire region. And it's how NJ TRANSIT will play a significant role in our state's economic recovery following the pandemic.

We have continued pushing forward aggressively on our Positive Train Control (PTC) project, and have in fact used the pandemic as an opportunity to increase PTC testing on tracks made idle by previously scaled-back service at the height of the pandemic. Thanks to these efforts, on June 30th, we received authorization from the Federal Railroad Administration (FRA) to enter into the Extended Revenue Service Demonstration (ERSD) phase of our PTC program. NJ TRANSIT is committed to meeting the December 31st, 2020 deadline for full PTC certification.

In addition to our commitment to advancing our capital program, one of my first orders of business when I arrived at NJ TRANSIT was to focus the agency on leveraging technology to improve the customer experience. We immediately started making significant investments in technology upgrades, and that investment is paying off today. We have implemented a series of technologically-focused improvements that have significantly improved customer communications

and made our system easier to use, including our redesigned website, expanded contactless fare collection options via the launch of onboard bus validators and handheld mobile devices for crewmembers. Upgrades to our mobile app include service alert information available via push notifications and a new "How Full Is My Ride" feature that lets customers know how full their bus or train is before boarding to allow them to make more informed decisions based on their level of comfort.

We've also prioritized on restoring staffing levels for key positions that impact service delivery for our customers. Since 2018, NJ TRANSIT has continued to fill the ranks of its locomotive engineer and bus operator rosters. Seventy-six new locomotive engineers have been trained and completed check rides since 2018, with more in training. NJ TRANSIT has also hired more than 800 Bus Operators. These positions are critical for ensuring our reliability as customers return to our system as we come out of the pandemic.

In closing, I'd like to thank Governor Murphy and NJ TRANSIT Board Chair Diane Gutierrez-Scaccetti for their unwavering support as we continue to work tirelessly to transform NJ TRANSIT to the world-class transit provider our customers expect and deserve.

There's no doubt this was an incredibly difficult and challenging year for NJ TRANSIT. But thanks in no small part to the blueprints laid out in our new strategic and capital plans, and the continued commitment and dedication from our nearly 12,000 employees, I know we will come out of this crisis on the other end, stronger than ever.



Kevin S. Corbett
President & CEO

Response to COVID-19

The COVID-19 pandemic literally transformed our world and presented unprecedented challenges.

For NJ TRANSIT and other public transit providers, it has meant a dramatic loss of ridership and revenue, increased operating expenses, multiple schedule adjustments and ongoing protective measures to maintain the safest possible travel environment for our customers and employees. Tragically, it also took the lives of more than a dozen NJ TRANSIT employees and afflicted more than 600 others.



NJ TRANSIT customers and employees are required to wear face masks under Governor Murphy's Executive Order No. 165.

The New Jersey Transit Police Department Office of Emergency Management has led the Corporation's emergency response to COVID-19, establishing the agency's specially created Coronavirus Task Force. The task force, which consists of employees from multiple business lines across the organization, began their work approximately one month before the first reported COVID-19 case in New Jersey. The group has held regular meetings, updated its objectives and tactics during the pandemic to remain consistent with state and federal health recommendations, and produced Incident Action Plans to ensure a coordinated response.

Additionally, NJ TRANSIT has been gathering and analyzing data from a variety of sources, including customer surveys, and regularly engaging with regional peer agencies to share observations, research and best practices. NJ TRANSIT is also working with national and international transit organizations, such as the American Public Transportation Association (APTA) and the International Association of Public Transport (UITP) to investigate best practices and new technologies to support recovery planning.

Numerous measures have been employed to protect the health and safety of customers and employees. They include, but are not limited to:

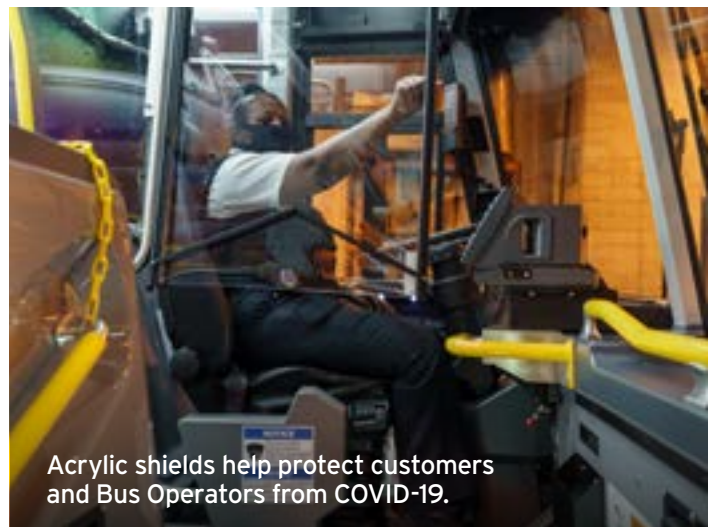
- Disinfecting all vehicles and major stations and terminals every 24 hours.
- Enhancing cleaning measures at frequent customer touchpoints and employee work locations.
- Requiring customers and employees to wear face masks onboard vehicles and at stations and terminals.
- Installing protective barriers on buses to protect both bus operators and customers.



Customer facilities have received extensive cleaning during COVID-19, like here at Irvington Bus Terminal.

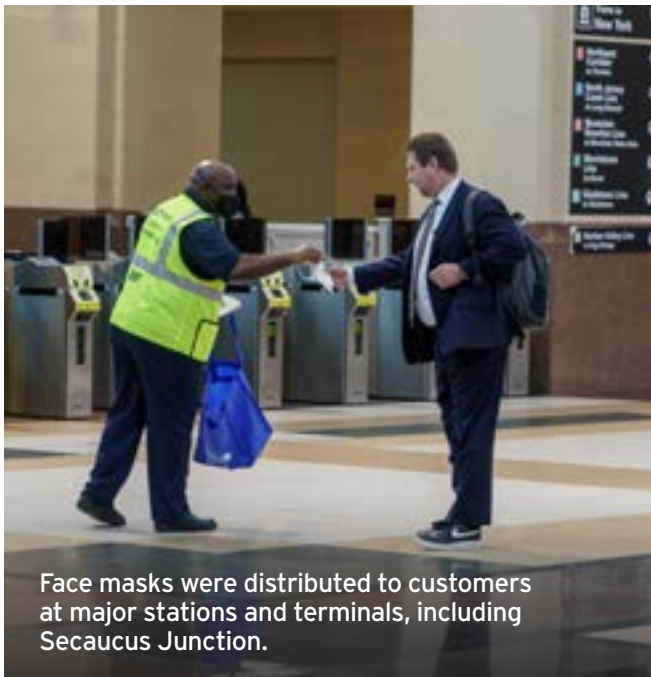


NJ TRANSIT and Rutgers University's Center for Advanced Infrastructure and Transportation are testing the use of ultraviolet-c to disinfect buses.



Acrylic shields help protect customers and Bus Operators from COVID-19.

- Offering a new mobile app feature called “How Full is My Ride” that allows customers to find and report capacity levels on buses and trains to make more informed decisions regarding distancing prior to boarding.

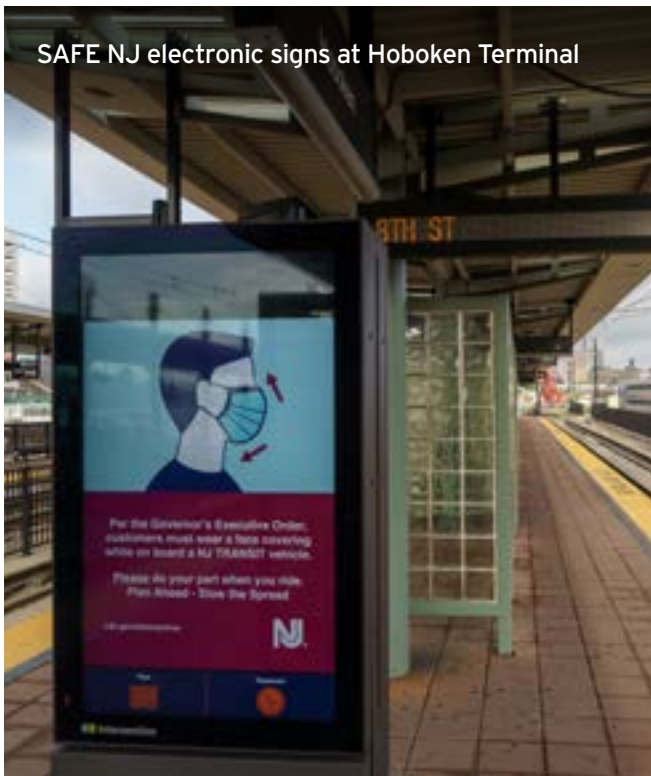


Face masks were distributed to customers at major stations and terminals, including Secaucus Junction.

- Launching the SAFE NJ campaign, which reminds customers through a combination of signage, public address announcements, social media, media relations and other avenues about safe behaviors, including wearing of face coverings, remaining cognizant of distancing, and safe disposal of PPE.
- Distributing 245,000 cloth face masks to customers donated by the U.S. Department of Transportation and the Federal Transit Administration, making them available at Customer Service offices in major terminals.
- Installing Personal Protective Equipment (PPE) vending machines on a pilot basis at our busiest terminals and stations, offering customers the ability to purchase face masks, gloves, hand sanitizer and sanitizing wipes.
- Providing PPE to all NJ TRANSIT employees.
- Establishing six COVID-19 testing sites for NJ TRANSIT employees.

NJ TRANSIT also commissioned a study by Rutgers University’s Center for Advanced Infrastructure and Transportation (CAIT) on the use of ultraviolet-c (UVC) for disinfecting the bus fleet. That testing is continuing in FY2021.

While critically important, these efforts come with significant costs and - combined with a dramatic decrease in farebox revenue - have had a devastating impact on NJ TRANSIT’s



SAFE NJ electronic signs at Hoboken Terminal



Thanks to all of the bus drivers, conductors, engineers, cleaners and maintenance staff for operating buses and trains while the rest of us are home.

@kam07882234 9:25 PM • March 16, 2020



SAFE NJ communications
campaign - River LINE

finances and fiscal outlook. Thanks to the continued support of Governor Murphy and New Jersey's Congressional Delegation, NJ TRANSIT received \$1.4 billion in May 2020 from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The federal emergency funding reimburses NJ TRANSIT for operating costs to maintain service and offset lost revenue, to purchase PPE and maintain the enhanced cleaning and disinfection protocols on vehicles and in facilities. NJ TRANSIT has requested an additional \$1.2 billion in federal relief funding, which is necessary for the Corporation to continue delivering vital transit services for the region's residents, and is working with the

federal government, Governor Murphy and the New Jersey Congressional Delegation for their continued support.

NJ TRANSIT and the State of New Jersey moved into a "recovery" phase of the pandemic late in FY2020, which is a credit to the protective measures now in place, as well as Governor Murphy's leadership. It's also a tribute to the men and women at NJ TRANSIT who have kept the system moving for other essential employees during the pandemic. NJ TRANSIT thanks all of its employees, particularly those working on the front lines, for their dedication and commitment throughout this crisis.

The Future of TRANSIT

Committed to reclaim its role as a premier transit system in North America, Governor Phil Murphy and NJ TRANSIT President & CEO Kevin Corbett announced two essential plans in June 2020 that set a path forward for NJ TRANSIT.



Portal North Bridge project spans the Passaic River on the Northeast Corridor.

The Corporation's first ever 10-Year Strategic Plan, NJT2030, establishes a blueprint for the future of public transportation in New Jersey, while the first 5-Year Capital Plan provides a clear roadmap to improve system reliability and the customer experience, helping to drive economic growth in New Jersey and the surrounding region.

NJT2030 is designed to transform the Corporation into an innovative, world-class public transportation provider that meets the travel needs of every customer. It sets five overarching goals for NJ TRANSIT to achieve that vision:



Ensuring the reliability and continued safety of our transit system.



Delivering a high-quality experience for all customers, with their entire journey in mind.



Powering a stronger and fairer economy for all communities in the region.

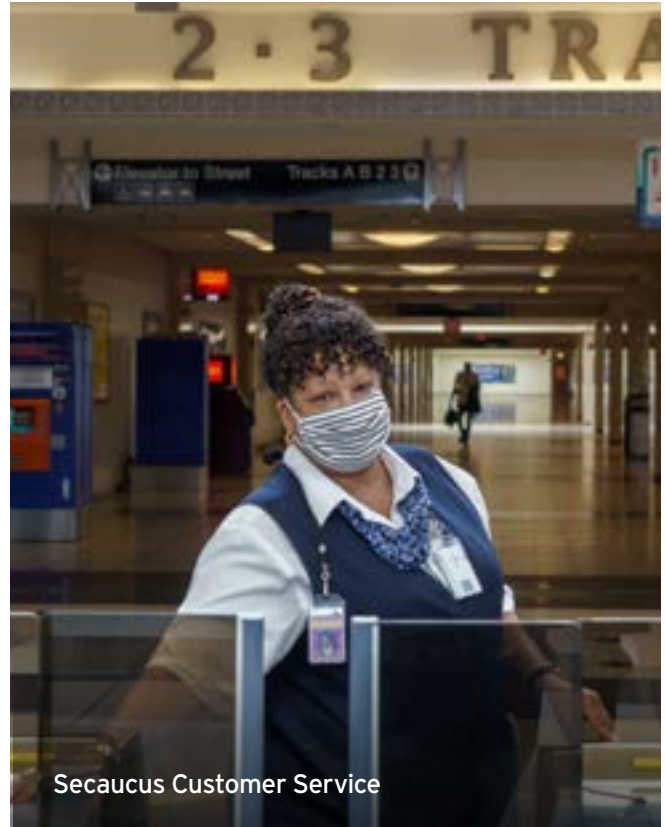


Promoting a more sustainable future for our planet.

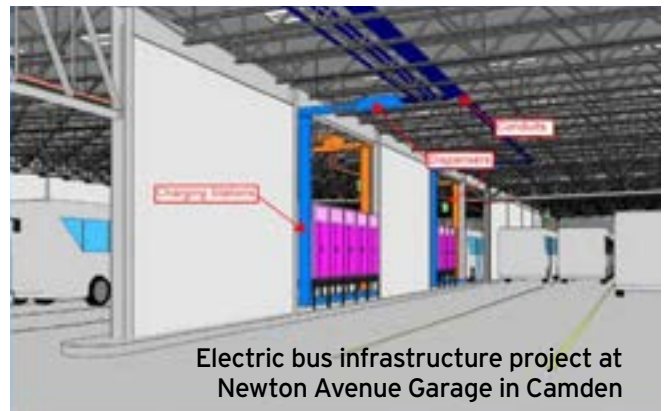


Building an accountable, innovative and inclusive organization.

The goals include specific initiatives to be delivered in the plan's first two years, in years 3-5, and in years 6-10. They include improving on-time-performance, increasing service on the agency's most congested bus routes, replacing the fleet (including advancement of a net-zero emissions bus program), upgrading Information Technology systems, rehabilitating stations and improving system accessibility. In all, more than 100 specific strategic initiatives



Secaucus Customer Service



Electric bus infrastructure project at Newton Avenue Garage in Camden

are identified for NJ TRANSIT to achieve and implement through 2030.

Meanwhile, our rolling, unconstrained **5-Year Capital Plan** is a comprehensive investment strategy that outlines what NJ TRANSIT can achieve with sustained and dependable funding over an extended period, touching every aspect of NJ TRANSIT service. It

includes five performance indicators, or “project values,” that translate the goals of NJT2030 into metrics applicable to the capital projects. The five project values are:

- State-of-Good-Repair
- Customer Experience
- Safety
- Resiliency
- Business Performance

Capital investment provides a continuous state-of-good-repair and targeted expansion of the system, and is essential for a safe and cost-effective transit system that performs at a level customers need and expect. Asset condition assessments and management are guiding investment decisions in the Capital

Plan. NJ TRANSIT is transitioning to a business model that uses transit asset condition to guide the optimal prioritization of funding.

The Capital Plan provides NJ TRANSIT with a path forward to achieve a vastly improved customer experience and supports a future of healthy, inclusive and sustainable communities throughout New Jersey. As the State of New Jersey advances Governor Murphy’s “Road Back” plan for recovery from COVID-19, investment in NJ TRANSIT’s infrastructure will play a major role in powering New Jersey’s resurgence, creating new jobs and direct investment at a time when New Jersey needs it most.

NJ TRANSIT is committed to working with its stakeholders, customers, elected officials and advocates to coordinate transit improvements, including more attractive and sustainable transit-oriented developments that reduce costs, congestion and pollution mitigation, and use innovative methods of financing. NJ TRANSIT plans to pursue more public-private partnership and joint development opportunities, building on the success of New Jersey’s transit-oriented communities. The synergies from these cooperative initiatives can help to generate sources of funding to sustain needed investment.



NJ TRANSIT is transitioning to a business model that uses transit asset condition to guide the optimal prioritization of funding.



For a more detailed look at *NJT2030*, the 5-Year Capital Plan, or specific capital projects, visit njtplans.com.

Washington Park



Ensure the RELIABILITY and Continued Safety of Our Transit System

POSITIVE TRAIN CONTROL

The Rail Safety Improvement Act of 2008, Positive Train Control Enforcement and Implementation Act of 2015, and subsequent Federal Railroad Administration (FRA) regulations require commuter rail systems to implement **Positive Train Control (PTC)**. NJ TRANSIT is required to implement PTC on its commuter rail lines and rail rolling stock by December 31, 2020. The Advanced Speed Enforcement System II (ASES II PTC) is also required to provide interoperability with Amtrak's Northeast Corridor Advanced Civil Speed Enforcement System II (ACES II) technology and the freight-based Interoperable Electronic Train Management System (I-ETMS). Implementation of PTC will enhance the safety of NJ TRANSIT rail customers and employees and comply with federal law.



The Positive Train Control Enforcement and Implementation Act of 2015 required that Class I railroads and certain commuter railroads implement PTC systems by December 31, 2018. The law permits railroads to request FRA approval of an “alternative schedule” with a deadline extending to no later than December 31, 2020 for PTC implementation. NJ TRANSIT met certain requirements and was granted the extension.

NJ TRANSIT obtained FRA approval to expand field testing in the first half of FY2020, focusing on timely completion of key PTC implementation milestones. As a result, NJ TRANSIT submitted its PTC Safety Plan to the FRA and received authorization to enter into Revenue Service Demonstration (RSD) on a portion of the Morristown Line, satisfying FRA’s conditions to enter Extended Service Revenue Demonstration (ERSD) by the end of FY2020. NJ TRANSIT has transitioned to the remaining stages of component and system testing and commissioning, and continues to finalize installation and updating of equipment components on the remaining vehicles in its fleet.

In FY2020, NJ TRANSIT:

- Completed Field Functionality Testing (FFT) and entered into RSD on a 17-mile section of the Morristown Line.
- Continued to provide PTC training to employees.
- Completed full PTC equipment installation on 436 of 440 total vehicles.
- Commenced final cut-over and testing of Wayside Interface Units in preparation for final FFT on other lines.
- Commenced final testing of transponders in preparation for final FFT on other lines.
- Completed FFT on the Morristown Line and progressed FFT on other lines.

- Commenced initial Tenant Testing on Amtrak’s Northeast Corridor.
- Continued Interoperability Designs/ Discussions with all Tenant Railroads on NJ TRANSIT territory.

Work during FY2021 will include:

- Completion of all vehicle component and software installation.
- Completion of PTC training for all employees.
- Completion of FFT on all lines.
- Completion of RSD on NJ TRANSIT territory.
- Completion of interoperability testing on NJ TRANSIT territory.
- Providing PTC kits and installations for short line tenant railroad locomotives.
- Completing testing of all wayside components.
- Completing Revenue Service Operations testing on the Northeast Corridor.
- Receiving FRA conditional approval of the PTC Safety Plan, conditional commissioning and safety certification of the full PTC System.

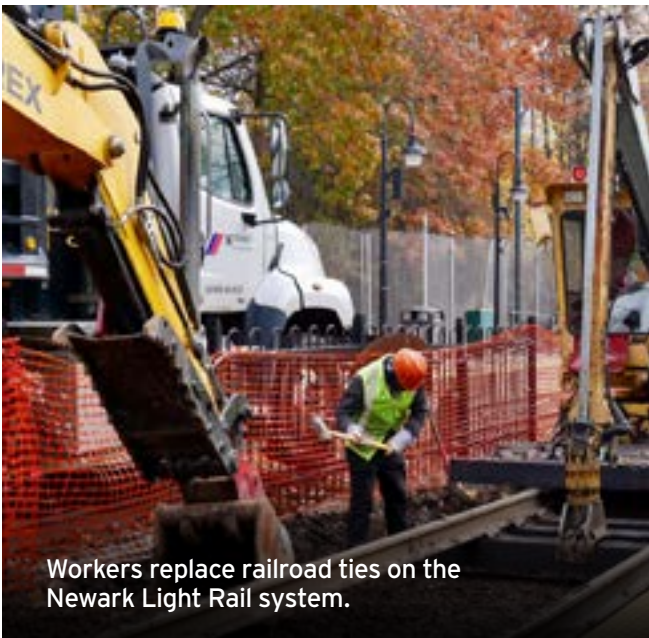


Implementation of PTC will enhance the safety of NJ TRANSIT rail customers and employees and comply with federal law.

NJ TRANSIT intends to be in full compliance with FRA requirements for PTC by December 31, 2020. Progress and status of NJ TRANSIT’s PTC project can be found online at www.njtransit.com/ptc.



Bus Operator Sheldon King



Workers replace railroad ties on the Newark Light Rail system.



ALP-45 dual-mode locomotives are undergoing top-deck overhauls to keep them in a state-of-good-repair.

SERVICE RELIABILITY

NJ TRANSIT continued to fill the ranks of its **Locomotive Engineer** roster in FY2020. Seventy-six new locomotive engineers have been trained and completed check rides since 2018, with more in training. NJ TRANSIT has also hired more than 800 **Bus Operators** since 2018, another position that is critical to reliable service delivery.

NJ TRANSIT launched a **State-of-Good-Repair Program** (NJTSGRP) in FY2020 to provide central, standardized project-management oversight of all identified rail, light rail and bus customer-facing, state-of-good-repair improvement requirements. The NJTSGRP Team will align its efforts with the 10-Year strategic plan - *NJT2030* - by focusing on safety, improving the customer experience, reducing a state-of-good-repair backlog and enhancing strategic business practices.

The Federal Transit Administration (FTA) requires that transit agencies develop Transit Asset Management Plans for its assets, including vehicles, facilities, equipment and infrastructure, and to measure and report facility condition assessments through



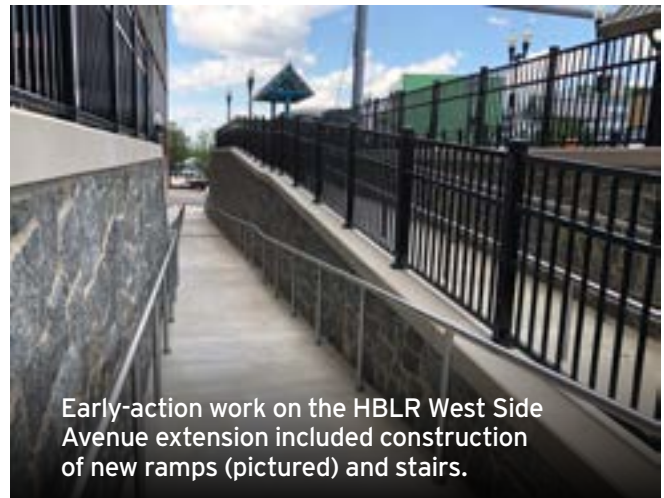
NJ TRANSIT has also hired more than 800 Bus Operators since 2018, another position that is critical to reliable service delivery.

the FTA's National Transit Database (NTD). NJ TRANSIT has established a facility inspection program that produces inspection reports and condition assessments of all

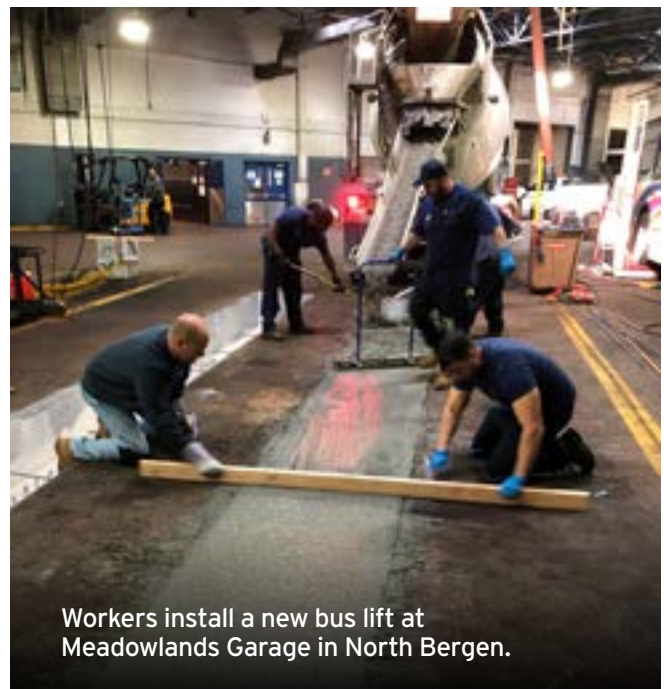
NJ TRANSIT facilities, with NTD State-of-Good-Repair Asset Condition Reports developed based upon these inspections. In addition to rail facilities, NJ TRANSIT conducted inspections and condition assessments on all of the agency's three light rail systems and bus facilities in New Jersey. The assessments revealed that most require some degree of work to meet regulatory requirements. These improvements will enhance the safety and experience of customers, further advance NJ TRANSIT's compliance with federal regulations, yield improved on-time performance and make operations more efficient.

A good example is the work completed at **New Brunswick Station** on the Northeast Corridor. Completed projects included: rehabilitation of waiting room windows; optimization of lighting, heating and air conditioning systems; exterior facade work, downspout and gutter repairs; and exterior painting. NJ TRANSIT is nearing completion on upgrades or replacement of two existing elevator towers at the station, and the Board of Directors recently approved construction of a replacement escalator. NJ TRANSIT also continues to advance the design of an inbound platform extension.

Emergency sewer main work led to a temporary suspension of service on the Hudson-Bergen Light Rail (HBLR) **West Side Avenue Branch** in Jersey City for most of FY2020. Temporary bus service operated during the outage. While service was suspended, advance work was completed at West Side Avenue Station for the future Route 440 Extension Project, which will extend HBLR service from West Side Avenue Station across Route 440 to serve a future development project in Jersey City. Advance work included construction of a new bridge from the parking lot to the station, improvements to an existing stairwell, and completion of an additional ADA-compliant ramp.



Early-action work on the HBLR West Side Avenue extension included construction of new ramps (pictured) and stairs.



Workers install a new bus lift at Meadowlands Garage in North Bergen.

"Top Deck" overhauls for diesel engines on **ALP-45 Dual Mode locomotives** got underway in FY2020, replacing cylinder heads, fuel injectors, water pumps, engine gaskets and other components. Work on 34 of the locomotives has been completed, with the final locomotive scheduled for completion in FY2021.

NJ TRANSIT received Homeland Security funds in FY2020 to install 507 **4G LTE modems** on cab cars, locomotives and Arrow

Track maintenance work in Denville



III cars, allowing for real-time video footage from locomotives and operating cabs, onboard vehicle diagnostics and real-time customer messaging. More than 430 modems were installed in FY2020; the balance will be installed in FY2021.

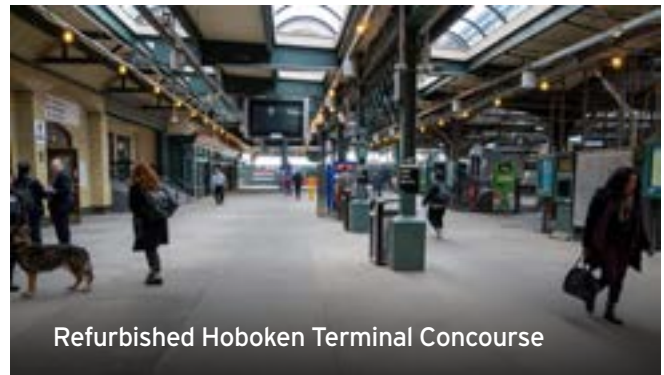
NJ TRANSIT installed 74,329 **wood ties** in FY2020 on nine different rail lines and the Newark Light Rail system, and 2,222 **composite and wood cross ties** on five rail lines near station platforms. Meanwhile, **track surfacing** was performed along 138 track miles on 10 rail lines, as well as the Newark Light Rail and River LINE light rail systems. Other rail state-of-good-repair work accomplished during FY2020 included replacing five **turnouts** in Gladstone and Port Jervis, **tie and welded-rail** installation along the Morristown Line, and **tree trimming**

along the Raritan Valley Line. Eleven **grade crossings** were also renewed or retired on the North Jersey Coast, Pascack Valley and Morristown lines.

Track renewal and resurfacing projects were completed near Bloomfield Avenue Station on **Newark Light Rail (NLR)** in FY2020, including installation of 348 railroad ties, 300 tons of ballast and 620 feet of rail. New LED lighting was also installed along the right-of-way, on station platforms, in tunnels, on catenary light poles, in the Vehicle Base Facility parking area and in an emergency lighting system. Stairs were also repaired at Bloomfield Avenue, Warren Street, Norfolk Street and Washington Street stations, and 3,000 feet of wire was installed adjacent to Branch Brook Park to protect the system from falling trees.

NJ TRANSIT replaced or rehabilitated **steel bridges, bridge decks** and/or performed **masonry/concrete repairs** at more than a dozen locations in FY2020 on the Morris & Essex, Main/Bergen County, North Jersey Coast, Raritan Valley, Atlantic City and Montclair-Boonton lines. Additionally, nearly 680 inspections were performed on undergrade and overhead bridges by in-house forces, with more in-depth structural inspections performed on more than 100 undergrade bridges by outside engineering firms. The Passaic Avenue Bridge on the Bergen County Line was also repainted during the year. Additional inspections were performed on **station platforms, retaining walls and catenary structures**.

Bus facility improvements were completed at Ferry Street Training Center in Newark and more than a dozen bus garages and support facilities across the state.



Refurbished Hoboken Terminal Concourse



Secaucus Junction



Wire and insulator work above Newark Draw Bridge



Thirty new recruits joined the New Jersey Transit Police ranks in FY2020.

SAFETY & SECURITY INITIATIVES

NJ TRANSIT received a \$2.3 million **Federal Security Grant** in FY2020 to purchase and install new security cameras and related equipment at dozens of stations and supporting transportation infrastructure on the Atlantic City, Northeast Corridor, North Jersey Coast and River LINE rail and light rail lines.

The **School Safety Education Program** created its first ever virtual program for railroad safety in FY2020 due to COVID-19 and will be presented in FY2021. This program covers important topics, such as no trespassing, staying alert, obeying signs and signals, crossing at designated areas and standing behind the safety line on station platforms. All programs are age appropriate

to fit the curriculum from Pre-K through high school.

The New Jersey Transit Police Department **recruited 30 police officers** in FY2020. Each of the recruits attended a two- to three-week “boot camp” at the department’s Counterterrorism Training Facility before completing 22 weeks of training at police academies in Morris and Mercer counties. Most are working independently while more recent hires are performing field training.

NJ TRANSIT’s **Emergency Operations Center (EOC)** was activated for 18 planned and unplanned events in FY2020, for a total of 261 days. The EOC, which is staffed by employees from multiple business lines based on the severity of the incident, is a central command-and-control facility that carries out

the principles of emergency preparedness, emergency management or disaster management functions during an emergency. When incidents or problems occur, EOC representatives work with NJ TRANSIT staff and regional transportation partners to help direct customers and manage congestion.

A new **Rapid Response Vehicle** was acquired in FY2020 to support New Jersey Transit Police Officers when they are placed at strategic locations. The vehicle is equipped with a briefing table, three workstations with radios and computers, and two televisions to monitor media coverage. A new **Mobile Command Vehicle** was also acquired in FY2020 for use during a major incident or scheduled event. The vehicle, which has full communications abilities, can be used at disaster and crime scenes or large public events. The new Mobile Command Vehicle replaces an older command vehicle that will be redeployed to southern New Jersey.

New Jersey Transit Police worked with federal, state and local law enforcement agencies, emergency responders, operations personnel and the Office of System Safety in FY2020 on **emergency training exercises**. A total of 435 first responders participated in these drills, while an additional 1,512 first responders received NJ TRANSIT rail safety training.

Forty-five first responders and support personnel from NJ TRANSIT and external organizations attended specialized training courses at Texas A&M Engineering Extension Service in FY2020. The **Jurisdictional Crisis Incident Management-Incident Command Post Course** focuses on incident management skills, staff responsibilities and related situational awareness and decision-making skills. Meanwhile, the **Jurisdictional Crisis Emergency Management-Emergency Operations Center Course** utilizes a team approach in an Emergency Operations



Center (EOC) environment, requiring key decision-making skills.

New Jersey Transit Police Officers saved 127 lives in FY2020 by **administering NARCAN** to drug overdose victims. The department also performed **community outreach activities** to assist the at-risk and homeless populations in and around NJ TRANSIT's stations and facilities, in coordination with local, county and private social service organizations.

Deliver a
**HIGH-QUALITY
EXPERIENCE**
for All Our
Customers,
With Their Entire
Journey in Mind

FLEET

Production of more than 1,100 new 45-foot **cruiser buses** continued in FY2020, replacing older buses that have reached the end of their useful lives. These buses are being delivered to both NJ TRANSIT and private carriers for New Jersey commuter service. Through FY2020, 317 buses were delivered to NJ TRANSIT and 308 to private carriers. In FY2021, NJ TRANSIT ordered 334 additional buses for NJ TRANSIT and private carriers. The new buses increase service reliability and customer comfort, reduce operating costs and meet the requirements of the Americans with Disabilities Act (ADA). Since 2016, the new



Multilevel Train



New articulated buses increase seating capacity and provide the latest in customer amenities.

cruiser buses have reduced emissions of NOx by 400 tons per year compared to the buses they have replaced. More emission reductions will be realized with additional deliveries in FY2021.

The NJ TRANSIT Board of Directors authorized the purchase of 85 new 60-foot **articulated buses** in January 2019 to replace buses approaching the end of their useful lives. NJ TRANSIT received a \$17 million-dollar grant from the Federal Transit Administration (FTA) for an additional 25 articulated buses in March 2020, which is the first actual bus fleet expansion in a decade. More than a dozen buses have arrived but deliveries were temporarily slowed due to a COVID-19 manufacturing plant shutdown. Regular deliveries have resumed, with the final bus expected to arrive in the third quarter of FY2021. These buses are compliant with the ADA and include more seating, low-floor boarding, wheelchair lifts with securing



The bus driver was friendly and said #goodmorning...it's gonna be a great day!

@NJTRANSIT #workflow

[@agc533](#)

mechanisms, USB charging ports, onboard security cameras, improved intercoms, LED lights and bike racks. The new articulated buses will reduce NOx emissions by 46 tons per year compared to the buses they are replacing.

NJ TRANSIT awarded a contract to Bombardier to purchase 113 self-propelled **Multilevel III Vehicles (MLV III)**, consisting of 58 power cars and 55 coaches. The new MLV IIIs will feature most of the amenities on the

MLV II fleet, in addition to color infotainment screens, USB charging ports, an onboard video surveillance system, wider vestibules for improved wheelchair accessibility, new bike racks, an intelligent LED lighting system and motorized restroom doors. Six pilot MLV III vehicles are expected to arrive in FY2022 with production vehicles beginning to arrive in FY2023. The overall delivery will be completed in FY2025.

NJ TRANSIT has 17 ALP-45DP **Dual-Power Locomotives** on order to replace aging GP-40 diesel locomotives. The new locomotives, which can operate on both electrified and non-electrified rail lines, meet current EPA requirements and significantly reduce emissions when operating in electric mode. A pilot locomotive and the first production locomotives are expected to begin arriving in FY2021, with the last vehicle arriving in FY2022. Eight additional locomotives were added to this order in August 2020 and will begin arriving in 2022. The 25 new dual-power locomotives will provide more system-wide operational flexibility and improved locomotive engine availability to meet customer demand.

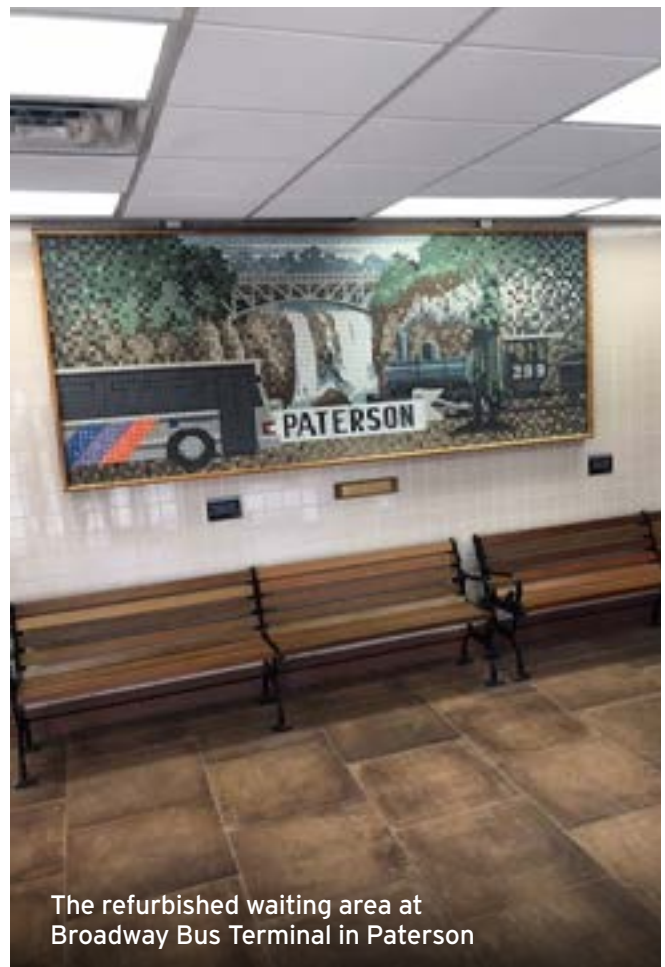
FACILITIES

NJ TRANSIT and Amtrak completed refurbishment work on a ticketed waiting area on the 8th Avenue side of **Penn Station New York**, providing more waiting space for NJ TRANSIT and Amtrak customers. The modernization work included new seating with electrical and USB outlets to charge devices, new LED lighting, information screens, a new information desk and a second entrance close to the NJ TRANSIT concourse.

Enhanced amenities were welcomed by customers in FY2020 at **Princeton Junction Station** on the Northeast Corridor. Upgrades included repaving and restriping of the Wallace Daily Parking Lot, as well as installation of new security cameras, heater panels on the train platforms, improved lighting and more.

Construction is underway on a design-build contract to replace the existing **Elizabeth Station** on the Northeast Corridor. The \$70 million project includes reconstructing and extending existing high-level platforms to accommodate 12-car trains, installing new or replacement elevators for improved ADA access, constructing new inbound and outbound station buildings and waiting areas, restoring the pedestrian tunnel, installing a state-of-the-art communications system and other customer amenities. The project is scheduled for completion in Winter 2022.

Work was completed in FY2020 on improvements at **Avandale Bus Park & Ride** adjacent to the Atlantic City Expressway in Camden County. Work included the construction of more than 130 additional parking spaces, reconstructing, expanding,



The refurbished waiting area at Broadway Bus Terminal in Paterson



A full reconstruction of Elizabeth Station is underway, including new station buildings, elevators, ticket office, retail space and platform extensions to better accommodate full-length trains.

resurfacing and restriping the existing parking area, upgrading lighting and customer waiting areas, and improving bus circulation through the lot. In addition, the project will support the proposed South Jersey Bus Rapid Transit (SJBRT) system.

Eighteen projects were performed at **Raritan Valley Line stations** in FY2020, which included painting, LED lighting and platform repairs. Additional projects were completed at nearly 30 stations on the **Raritan Valley, Northeast Corridor, Morris & Essex, Montclair-Boonton, North Jersey Coast, Main/Bergen County, Pascack Valley and Atlantic City lines.**

NJ TRANSIT refreshed and updated bus customer facilities in FY2020, including lighting, waiting rooms, restrooms, sidewalks, fencing, landscaping or other improvements at **Old Bridge Park/Ride, Walter Rand Transportation Center in Camden, Wildwood Bus Terminal and Broadway Terminal in Paterson.** Repaving also was completed at the

North Bergen Park/Ride and the Raymond Boulevard Bus Lanes at Newark Penn Station. Employee facility improvements were completed at Ferry Street Training Center in Newark and more than a dozen bus garages and support facilities across the state.

NJ TRANSIT worked closely with communities it serves to install 54 **bus shelters** around New Jersey to provide seating and protection



NJ TRANSIT spruced up the exterior of Wildwood Bus Terminal.

during inclement weather. NJ TRANSIT provides the bus shelters at no cost; the communities or a local sponsor then agree to maintain the shelters.

Plans for improvements at historic **Perth Amboy Station** on the North Jersey Coast Line are advancing. The project includes the construction of high-level platforms and other upgrades to make the station building, platforms and parking area compliant with the Americans with Disabilities Act (ADA). Additional improvements are planned for the pedestrian overpass, elevators, parking area, landscaping, lighting, and visual communications and security systems. The State Historic Preservation Office has approved design and environmental work for the station. Construction is scheduled to begin in Summer 2021.

Design work to modernize and upgrade **Lyndhurst Station** on the Main Line was completed in Spring 2020. The project

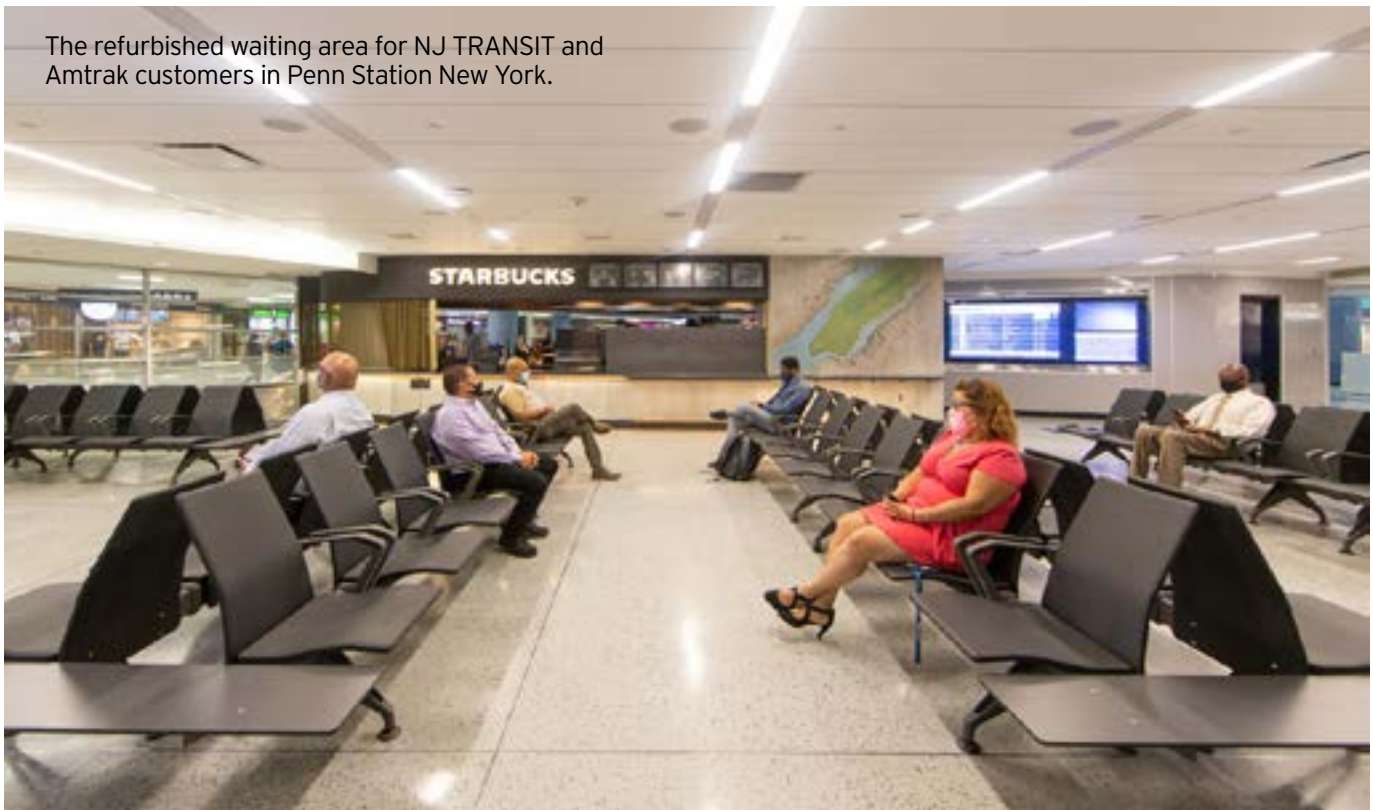


A rendering of the new Lyndhurst Station on the Main Line.

includes a new station building with two new high-level platforms located closer to the existing parking area, complying with the ADA. In September 2020, the Board of Directors approved construction and construction management contracts for the new Lyndhurst Station. Work is scheduled to begin in Winter 2020.

More than a dozen Requests for Proposals (RFPs) for retail concessions were processed during FY2020. Three businesses made more

The refurbished waiting area for NJ TRANSIT and Amtrak customers in Penn Station New York.



Starbucks made its debut at Newark Penn Station in FY2020.



than \$1.5 million in improvements before opening to customers: Café Mavi at **Summit Station** on the Morris & Essex Lines; Faber, Coe and Gregg Inc. news/concession stand and a Dunkin Donuts at **Secaucus Junction**; and a Starbucks at **Newark Penn Station**. The three businesses alone will generate more than \$500,000 in annual revenue for NJ TRANSIT.

Plans advanced in FY2020 to rehabilitate and modernize **Market Street Bus Garage** in Paterson. Built in 1903, the garage stores and maintains 150 buses, with plans for expansion. The project includes: construction of a more than 3,200-square-foot building addition; installation of an elevator, backup generator and a new floor slab in the main barn; exterior renovations; and upgrades to mechanical, electrical, plumbing, life-safety and sub-surface monitoring systems. The project is scheduled to get underway in FY2021.

Internal analyses were completed in FY2020 for a new **Northern Bus Garage**. Activities included site screening, preliminary

environmental analysis, concept planning, preliminary scoping, cost estimating and related pre-acquisition efforts. A notice to proceed for preliminary design of the new facility was issued in September 2020. The new garage is crucial to meeting capacity needs and supporting future electrification of the fleet.

Work began in FY2020 on a project to modernize the **North Jersey Bus Control Center** in Maplewood. The project, which will be completed in two phases, will include improved communications, an expanded floor plan, new offices and conference rooms, bus tracking capabilities, new operating consoles and associated improvements. Work is scheduled for completion in Spring 2021. A similar project was completed on the South Jersey Bus Control Center in FY2019.

TECHNOLOGY

NJ TRANSIT has continued to advance the **makeover of njtransit.com** to make

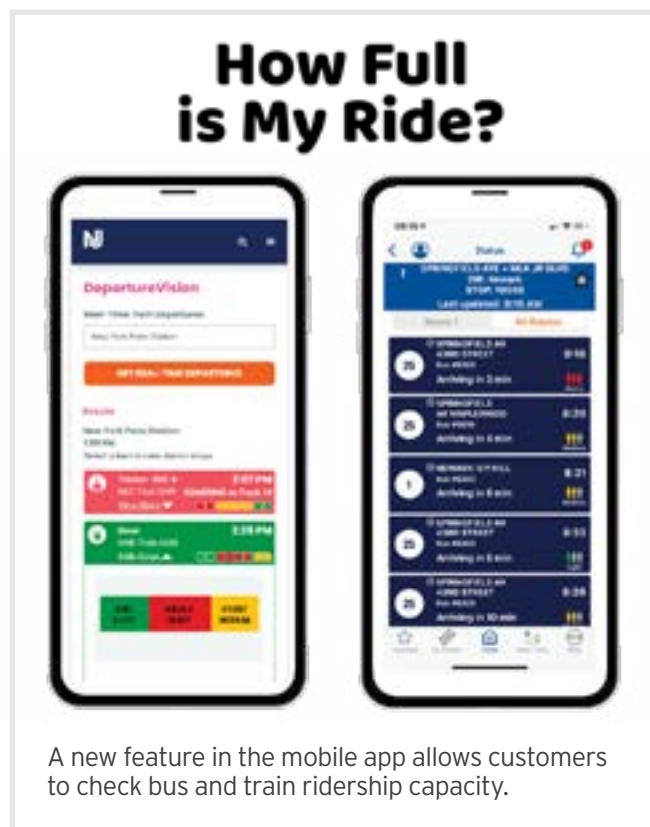
the website easier to navigate, improve functionality and facilitate access to information.

A number of NJ TRANSIT **mobile app improvements** were launched in FY2020 to enhance the customer experience, aimed at improving iOS and Android app versions that serve more than 1.1 million users. Among the features added in FY2020:

- A special section for COVID-19 information.
- The Launch of “How Full is My Ride,” a bus and rail vehicle capacity tracking feature that helps customers gauge ridership before boarding the bus or train to help support distancing.
- Introduction of one-way ticket purchases for light rail services.
- An active ticket widget that allows customers to quickly access their *MyTix* tickets outside of the app.
- A “System Status” feature on the “Rider Tools” landing page.
- A new DepartureVision feature that allows users to store train favorites, and display SEPTA joint tickets and student tickets.
- A promotions portal to support marketing initiatives that benefit NJ TRANSIT customers.

NJ TRANSIT continued its **fare modernization program** in FY2020, delivering technical advancements, customer enhancements and operational efficiencies to the agency’s fare payment program. Modernization is underway on 550 Ticket Vending Machines, 150 Ticket Office Machines, 90 faregates, more than 200 platform validators, and installation of 2,500 bus On-Board Validators, with an emphasis on contactless payments.

Rollout of the new **Ticket Vending Machines (TVMS)** began in FY2020 and are continuing in FY2021. The TVMs are quicker and easier



for customers to use, and provide audible and visual instructions for customers with disabilities. Customers can purchase tickets using contactless cards and mobile wallet applications, and will no longer need to insert debit/credit cards. The machines also have improved functionality, with faster printers and new displays featuring travel information and advisories.

NJ TRANSIT’s **On-Board Validation (OBV) system** on buses completed testing in Morris County in FY2020 and is being installed on buses at more garages in FY2021, beginning at Oradell Garage. OBV offers contactless fare payments for bus customers who scan bar codes on paper tickets or digital tickets they have purchased on the mobile app.

NJ TRANSIT began issuing 1,500 **handheld mobile devices** to rail conductors to validate contactless tickets and support daily operations. The new devices can validate or cancel rail tickets, and contain employee rule

books and conductor forms. The technology also generates analytics to identify potential operational efficiencies, capacity planning, and help reduce fraud and fare evasion. More than 150 devices were distributed to conductors on the Raritan Valley, Atlantic City and Morris & Essex lines in FY2020, with more on the way.

NJ TRANSIT is developing a **contactless NJ TRANSIT fare card**, to be introduced on buses in the second quarter of 2021. The new fare card will allow customers to add cash value at local retailers and manage their accounts online or through our mobile app.

NJ TRANSIT began testing a new digital **Public Address (PA) system** in FY2020 at Madison, Plauderville, South Amboy, Somerville and Ridgewood stations. The new equipment includes standardized processors, amplifiers and touch screens to simplify configuration, settings and maintenance of the PA system. A new software dashboard allows NJ TRANSIT to remotely monitor the system and quickly identify and resolve issues. Up next in FY2021 are upgraded PA installations at Penn Station New York, Newark Penn Station, Secaucus Junction, Hoboken Terminal and Trenton Transit Center, followed by a wider rollout at additional locations.

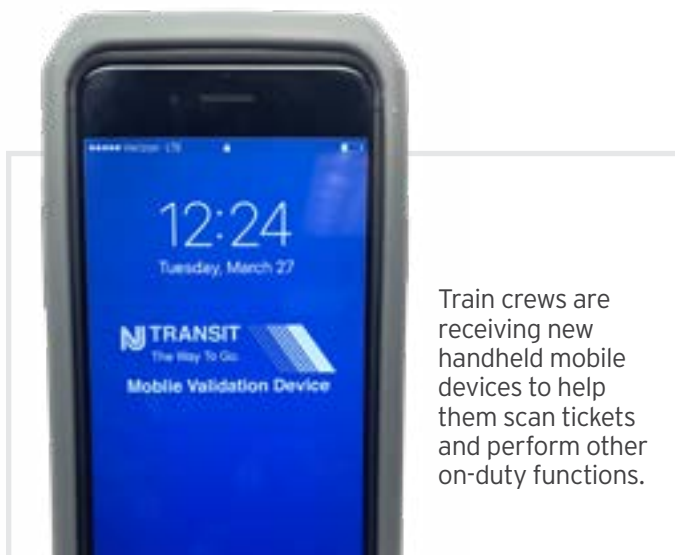


I must say @NJTRANSIT app makes buying #Pascack line tickets much simpler. Shout out to crew of #1612 this morning.

@AvrahamAdler



New Ticket Vending Machines are being installed, including this one at West Side Avenue light rail station in Jersey City.



Train crews are receiving new handheld mobile devices to help them scan tickets and perform other on-duty functions.



On-Board Validators on buses are one of several contactless fare technologies enhancing the customer experience.

NJ TRANSIT's **social media** remains a vital communications tool, allowing the Corporation to share important information, engage with customers on project information, gather and process feedback, share cost-saving promotions, issue COVID-19 alerts and more. Social media customer engagement continued to grow in FY2020, with the number of Twitter "followers" increasing from 240,864 to 245,788, the number of Facebook "likes" increasing from 73,251 to 76,139, the number of LinkedIn "followers" increasing from 18,763 to 23,539, and Instagram "followers" increasing from 9,340 to 13,473, compared to the previous year.

Access Link made its debut on Twitter in FY2020, using the social media tool to provide customers with service updates and offer best practices for traveling safe during COVID-19. The account, @NJTRANSIT_AL, provides easy access to service updates for Access Link customers.

Thanks to **PASS WEB**, more than 53,000 Access Link customers also have online options to communicate with Access Link staff, make or cancel ride reservations, sign up for EZ-Wallet, receive the status of scheduled trips, update information in their customer accounts and receive news about Access Link.

An **Access Link mobile app** is in development, which will offer paratransit customers another option to make reservations, monitor ride status, update their customer accounts and make trip cancellations. A user-acceptance team made up of customers with various disabilities is testing the app. Implementation is anticipated in FY2021.

NJ TRANSIT has partnered with Amazon's **"Ask Alexa"** feature. Customers can Ask Alexa for real-time service status, train schedules, service advisories, trip planning



assistance, arrival and departure information, and the last train of the day.

NJ TRANSIT was the first transportation agency in the nation to achieve **ISO/IEC 27001 certification**, which was validated in FY2020 by independent auditors - a significant achievement that reassures customers their data is protected.

CUSTOMER ADVOCATE

The Customer Advocate participated in a number of customer-facing initiatives in FY2020. During the ongoing **COVID-19** pandemic, the Corporation's social media team shared useful tips and reminders about agency cleaning protocols and safe travel, including enhanced cleaning efforts, wearing of face

masks and service-related adjustments. The social media team also created a COVID-19 customer response guide, helping to answer customer questions in a timely manner, and proactively worked on the development of the SAFE NJ campaign (see *Response to COVID-19* section of report).

Meanwhile, the Information Technology (IT) team **updated njtransit.com**, and improved the light rail customer experience by launching a mobile app update that allows customers to make **contactless purchases** of one-way adult, child and senior/discount tickets on all three of the agency’s light rail systems. The milestone now gives all bus, rail and light rail customers the ability to make 100-percent contactless ticket purchases.

The IT team also provided customers and the general public with increased access to **Board of Directors meetings**. Thanks to an upgrade

to its livestream platform in Fall 2019, NJ TRANSIT began syndicating its board meetings on Youtube.com, which maximizes availability. Board meetings and related Board documents and information are also available on www.njtransit.com/board.

Another enhancement in FY2020 was the expansion of the **MyBus arrival window** from 30 to 45 minutes. This updated feature allows customers to see more bus trip options at their bus stop, and is available on the njtransit.com website and the mobile app for a seamless experience across both platforms.

During major service disruptions, NJ TRANSIT’s social media team connects with operations personnel to obtain **real-time photos** of the source of delays, such as downed trees or wires. These pictures and social media posts help customers understand what crews are encountering

Livestream Board of Directors meetings



during severe disruptions. The social media team also shares photos of maintenance work, such as scheduled capital projects that keep the system in a state-of-good-repair.

Throughout the year, NJ TRANSIT strengthened its **interagency connections**, building mutual and beneficial relationships with other transportation agencies, including Port Authority of NY&NJ, MTA and Amtrak. These relationships help NJ TRANSIT customers get timely answers if they need to connect with those agencies through their social media channels.

CUSTOMER SUPPORT

NJ TRANSIT's **Emergency Response Team** responded to 17 service or weather-related events in FY2020, providing directional assistance to customers traveling during those incidents. Meanwhile, NJ TRANSIT **Ambassadors** provided an additional layer of customer service during more than 130 concerts, sporting events, construction projects and other major activities in FY2020. Both give customers the ability to speak directly with NJ TRANSIT employees who can answer questions and provide direction.



MAJOR PROJECTS, STUDIES & PLANNING

A part of the Gateway Program, the **Portal North Bridge Project** on the Northeast Corridor will replace Amtrak's existing, century-old swing-span bridge with a fixed-span bridge over the Hackensack River. When the Portal North Bridge project is finished, bridge openings for marine traffic will no longer be necessary, greatly improving service reliability and speed. Final design of the bridge continued in FY2020 through a combination of Amtrak funding and the New Jersey Transportation Trust Fund. A \$16 million Federal Railroad Administration (FRA) TIGER grant, together with a local match of \$4 million, were used to complete early construction activities. In February 2020, NJ TRANSIT received a rating of "Medium - High" on the project's Financial Plan. The Federal Transit Administration (FTA) has committed to accelerating federal funding in the amount of \$766.5 million



for the project. In June 2020, the FTA also authorized NJ TRANSIT to enter into the “Engineering Phase” of its Core Investment Grant (CIG) funding program. In August 2020, the FTA awarded \$248 million in funding toward the project. NJ TRANSIT is now working toward entering into a Full Funding Grant Agreement, and is developing design plans and specifications to support a public

The **Hudson-Bergen Light Rail (HBLR) Northern Branch Extension** will extend HBLR service from North Bergen in Hudson County to Englewood in Bergen County, improving regional mobility, mitigating traffic congestion and fostering economic investment. The Supplemental Draft Environmental Impact Statement was published by NJ TRANSIT and the Federal Transit Administration

(FTA) in FY2017, followed by public hearings and an open comment period. FTA approval for the publication of a Final Environment Impact Statement and the issuance of a Record of Decision is pending identification of a funding source for project property acquisition and construction.



NJ TRANSIT strengthened its interagency connections, building mutual and beneficial relationships with other transportation agencies, including Port Authority of NY&NJ, MTA and Amtrak.

advertisement for construction in Calendar Year 2021.

The **Hudson Tunnel Project** includes a new Hudson River Tunnel, rehabilitation of the existing North River Tunnel, and the Hudson Yards Concrete Casing Section 3, all part of Phase I of the **Gateway Program**. The North River Tunnel is more than 110 years old and was severely damaged during Superstorm Sandy. In order to complete necessary rehabilitation of the North River Tunnel without disrupting rail service, the new Hudson River Tunnel must be completed and fully operational before the existing tunnel can be fully rehabilitated. Section 3 of the Hudson Yards Concrete Casing preserves the right-of-way for a future tunnel to Penn Station New York. NJ TRANSIT and its local project partners are working with the FRA and FTA to support issuance of a Final Environmental Impact Statement and a Record of Decision for the Hudson Tunnel Project, which is 30 percent designed. Early construction work has begun on the Hudson Yards Concrete Casing.

The **Hudson-Bergen Light Rail (HBLR) Route 440 Extension** will extend HBLR service from West Side Avenue Station to a new terminus on the west side of Route 440 where Jersey City is promoting residential and commercial development. NJ TRANSIT has prepared an Environmental Assessment and the FTA has issued a Finding of No Significant Impact. The design has progressed to 30 percent and funding alternatives are being considered to advance the project. Early action work was completed at West Side Avenue Station during a recent service outage, preventing a future station closure and realizing a cost savings (see *Safety & Reliability section for more information*).

The **Glassboro-Camden Line** will provide light rail service from Camden to Glassboro, improving regional mobility, mitigating traffic congestion and fostering economic investment. The project is being advanced under a State of New Jersey Executive Order 215, Level 2 Environmental Assessment and

is being managed by the Delaware River Port Authority (DRPA) with funding and technical support from NJ TRANSIT. DRPA submitted a draft Environmental Impact Statement (EIS) in September 2020 to the New Jersey Department of Environmental Protection (NJDEP) for review.

NJ TRANSIT advanced work on the **Lackawanna Cutoff** project in FY2020, which included consultant services to prepare a bid package for a culvert replacement project. NJ TRANSIT also advertised a request for qualifications for the Roseville Tunnel portion of the project and is preparing a bid package to be distributed to pre-qualified contractors in Spring 2021, as well as developing a bid package for construction of Andover Station. The Lackawanna Cutoff will initially extend NJ TRANSIT rail service into Sussex County, with the long-range potential to extend service across the Delaware River in cooperation with the State of Pennsylvania.

NJ TRANSIT completed three separate studies of the Raritan Valley Line (RVL) in FY2020. These include a study to add tracks on the **Conrail Lehigh Line** to increase the frequency of RVL service. Work was also completed on the **West Trenton Passenger Service Restoration Study**, which updated a prior study to reflect current conditions. Passenger service would utilize RVL tracks to Bridgewater before connecting to tracks leading to West Trenton. In response to state legislation, work was also completed on a study of potential **One-Seat Ride** service to New York on the RVL during peak hours on weekdays. The study identified and assessed alternatives for providing service in short-, medium-, and long-term timeframes, as well as their associated issues and costs. NJ TRANSIT also advanced initial design of the **Hunter Flyover**, which will significantly improve the flow of eastbound RVL trains connecting to the Northeast Corridor in Newark.

Morris & Essex (M&E) Lines service continued to experience significant pre-pandemic ridership growth, but is constrained by infrastructure limitations, limiting the number of trains that can operate during peak periods. The **M&E Line Capacity Improvement Study** has identified improvements that could allow more peak service to operate to Hoboken. In making recommendations for advancement, the study will balance the expected cost and constructability of specific projects, the potential operational benefits of each project,



@NJTRANSIT thank you for your announcements on trains today about social distancing. **GOOD JOB.**

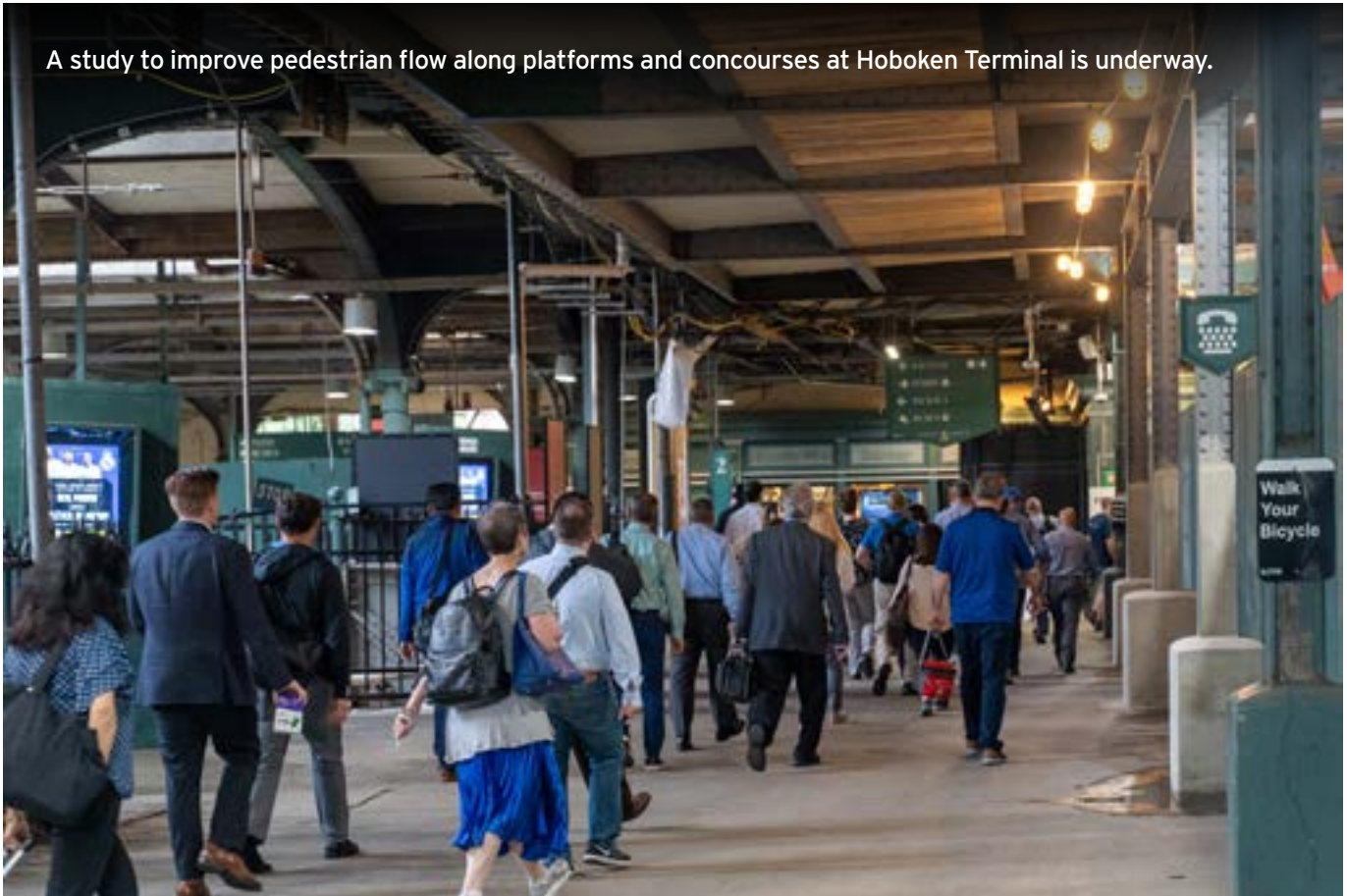
@MI2NYC

and will assess the bundling of projects to gain the most operational benefit.

Work continued on an Environmental Assessment for the **South Jersey Bus Rapid Transit (SJBRT) Project**, with proposed improvements along the Atlantic City Expressway, Routes 42 and 55, Interstates 76 and 676 in Downtown Camden, and in Philadelphia. SJBRT would use priority treatments and new technology to enhance the transit experience, making it faster and more reliable than traditional bus service. Completion of the Environmental Assessment will allow the project to apply for federal funding.

NJ TRANSIT is working with Camden County and other local stakeholders to advance design concepts for a modernized **Walter Rand Transportation Center (WRTC)** in Camden. WRTC is served by NJ TRANSIT

A study to improve pedestrian flow along platforms and concourses at Hoboken Terminal is underway.



and Greyhound buses, the River LINE and PATCO. The project includes construction of a new terminal and parking deck at the existing facility, and would serve as a key redevelopment component in Downtown Camden. NJ TRANSIT will fund and manage the conceptual design and manage the overall project. NJ TRANSIT intends to advertise a preliminary engineering Request for Proposals for this project in early 2021.

NJ TRANSIT is working with the City of Passaic and Passaic County on plans for a new **Passaic Bus Terminal**. NJ TRANSIT proposes building a new bus terminal in an off-street plaza area currently used for automobile parking on Main Avenue. A new terminal will greatly improve passenger convenience, bus operations and schedule adherence. Final

design is underway and is expected to proceed through 2021.

NJ TRANSIT, in partnership with Passaic, Bergen and Hudson counties, has advanced work on the **Passaic-Bergen Passenger Service Restoration Project**. The study involves preparing a federally compliant technical update and assessment of the corridor for current conditions.

Work progressed in FY2020 on a study of rail platforms and concourses at **Hoboken Terminal** to identify potential platform, accessibility and passenger-flow improvements between several transit modes in the terminal area. NJ TRANSIT plans to integrate the results of this study into future design efforts at the terminal.

Power a
STRONGER
and Fairer New
Jersey for All
Communities

NJ TRANSIT began conducting a **Bus System Redesign** study in September 2020 – a comprehensive approach to rethinking local bus service based on market conditions and demand, service and network performance, and stakeholder and public input.

Bound Brook Station



NJ TRANSIT will work with community members and stakeholders to evaluate objectives, strategies and priorities, leading to recommendations for an improved system that attracts and retains former, current and future bus customers. The Bus System Redesign effort will advance in geographic phases, with the greater-Newark area being the focus of the initial phase. Subsequent phases will be defined based on logical groupings of existing intrastate local bus routes and customer markets.

Customers at **Bound Brook Station** on the Raritan Valley Line can look forward to an upgraded train station. NJ TRANSIT entered into an agreement with the Borough of Bound Brook in FY2020 to renovate and reopen the eastbound station building, as well as perform upgrades to the platform, canopy and lighting. The project will be funded by a New Jersey Department of Transportation grant, enabling the borough to further its transit-oriented development plans.



A bus system redesign effort is underway, starting in the Greater Newark area.



NJ TRANSIT helped communities purchase transportation vehicles in FY2020, including this one for Monmouth County.



NJ TRANSIT and Hoboken teamed up to improve bus service in the Hudson County community.



@NJTRANSIT On a positive note I want to thank you for all that you guys are doing and keeping the buses regular schedule for the working people.

@drewjs91

NJ TRANSIT and the City of Hoboken worked together to implement a series of **bus service improvements on the No. 126 line** to increase ridership capacity, create efficiencies, enhance convenience, improve traffic flow and reduce waiting times for customers. The improvements include the use of high-capacity articulated buses, adding or relocating bus stops, and updating parking restrictions during evening peak periods.

Promote a More **SUSTAINABLE** Future for Our Planet

NJ TRANSIT's **Resilience Program** has obligated approximately \$1.463 billion dollars received from the **Federal Transit Administration's (FTA) Emergency Relief Program**, including work related to repairing/rebuilding of assets damaged by Superstorm Sandy and key resilience initiatives. In FY2020, more than \$363.9 million of FTA funding was obligated.



NJ TRANSIT is trying to determine if wrapping a River LINE LRV is more cost-effective and environmentally friendly than a traditional exterior paint job.

See the funding summary below:

	Grant Amount	Amount Obligated	Amount Remaining to be Obligated
EMERGENCY RELIEF REPAIR, RECOVERY, & LOCALLY PRIORITIZED RESILIENCE			
Grant 1 (NJ-44-0001) (Immediate Repairs)	116,856,785	116,856,785	0
Grant 2 (NJ-44-X003) (Recovery and Locally Prioritized Resilience)	293,727,555	293,727,555	0
Grant 3 (NJ-2018-007-00) (Recovery)	140,437,444	140,437,444	0
COMPETITIVE RESILIENCE			
Delco Lead Storage and Inspection Facility	184,493,910	184,493,910	0
Long Slip Fill and Rail Enhancement	146,548,432	146,548,432	0
Raritan River Bridge Replacement	446,312,465	446,312,465	0
Signals and Communications Resilience	88,903,190	88,903,190	0
NJ TRANSITGRID	409,764,814	409,764,814	0
Overall Program Total	1,827,044,595	1,827,044,595	0

NJ TRANSIT continued the replacement of **Hudson-Bergen Light Rail Traction Power, Auxiliary Power and Signal and Communication Cables** in FY2020 that were affected by Superstorm Sandy. Replacement of cables will continue in FY2021.

Construction of the **Observer Highway Switching Station** was completed in FY2020. This project involved the construction of a resilient substation to replace the existing Observer Highway Switching Station and

related catenary-power switching controls, both significantly damaged during Superstorm Sandy.

Final design was completed in FY2020 for resilience modifications to **Hoboken Terminal and Yard power distribution systems** for both signal and yard power systems. This work will include aerial cabling on new poles connecting power substations to signal equipment and major yard facilities. The design of repairs for **Wayside Power Systems** in Yard B and Days

Yard also advanced to near completion, which will raise equipment above flood elevation and add power outlets and control stations for up to 20 tracks. Advertisement of these contracts is planned for FY2021, with actual field work to start the following year.

Construction commenced in FY2020 on the **Henderson Street Substation** project, which will provide power to most Hoboken Yard facilities for the construction of a resilient electrical substation, replacing an existing facility. The new substation will provide reliable and resilient electric power to both the rail and ferry terminals and supporting infrastructure. Primary power and distribution cables will be located above Federal Emergency Management Agency Base Flood Elevation, making the project fully resilient against future extreme weather events. The project includes a connection to the NJ TRANSITGRID, which will allow Hoboken Yard to continue operations in the event of a long-term electrical service interruption.

Construction continued in FY2020 on the **Hoboken Terminal House Power Depot Substation**, replacing an existing power facility that was significantly damaged during Superstorm Sandy. The new substation has been designed to provide reliable and resilient electric power to both the rail and ferry terminals and supporting infrastructure. The new substation will be constructed on the second floor of a vacant building adjacent to the rail terminal, well above predicted future flood elevation for this site. Primary power and distribution cables will be located above flood elevation, making the project resilient against future extreme weather events.

Mason Substation project continued to advance in FY2020 per an agreement between NJ TRANSIT and PSE&G to construct a new, resilient 203KV substation to replace an existing substation that was damaged during Superstorm Sandy. This project includes 55kv

traction power, 13.2kv yard power, and a new Building 9 Substation.

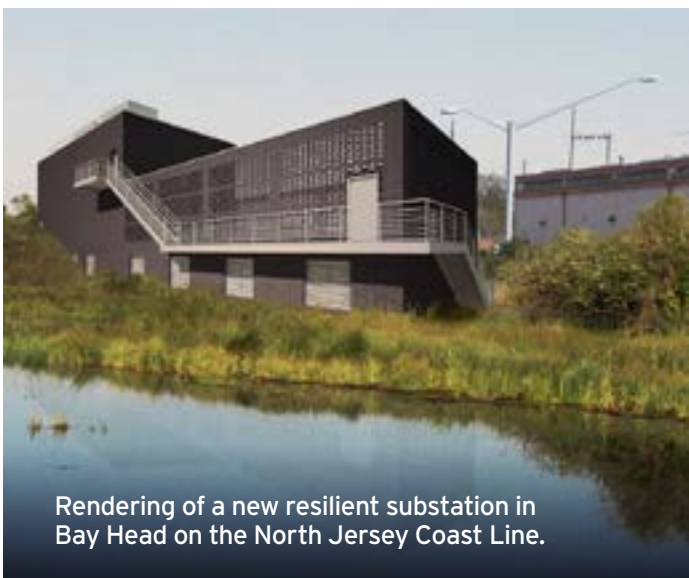
Construction continued to advance in FY2020 on flood protection construction work at the **Meadows Maintenance Complex (MMC)** and **Rail Operations Center (ROC)** in Kearny. The project includes sealing perimeter openings, installing deployable sluice gates, swing gates and stop-log doors, utilizing permanent and deployable pumps, and installing emergency generators for backup power. NJ TRANSIT anticipates project completion in FY2021.

The **Rail Operations Center (ROC) Unit Substation** project will replace and elevate the ROC Unit Substation facility in order to harden it against interruptions of the commercial

Henderson Street Substation in Hoboken Yard will make the system more resilient in future storms.



Rendering of a new resilient substation in Bay Head on the North Jersey Coast Line.



power grid. The new substation will also connect to the proposed NJ TRANSITGRID. Construction is underway and will continue in FY2021.

Bids were received for **the Newark Light Rail storm protection project** in the last quarter of FY2020. A Notice to Proceed with construction was issued in the first quarter of FY2021.

Final design of the **Delco Lead Storage and Inspection Facility** on the Northeast Corridor (NEC) continued in FY2020. This project received a Federal Transit Administration (FTA) Competitive Resilience Grant. The project includes construction of electrified equipment storage tracks and passing sidings to form a two-track system along the NEC in North Brunswick and New Brunswick, and construction of a new Service & Inspection (S&I) facility within County Yard. The construction contract for Delco Lead, County Yard and the S&I facility is anticipated to be advertised in FY2021. When completed, the project will provide resilient storage capacity for railcars in the event of an approaching severe storm. The S&I facility will help Rail Operations quickly return railcars to service after a severe storm disruption.

An FTA Competitive Resilience Grant also funds the **Long Slip Fill and Rail Enhancement** Project which involves filling of Long Slip waterway (Phase 1), and construction of new tracks, high-level platforms and a passenger/rail personnel facility (Phase 2). The position of these tracks and platforms will improve commuter rail service to and from Hoboken Yard in advance of and immediately after a storm event, allow for supplemental service to/from Hoboken Terminal during service disruptions elsewhere on the system, and enable more efficient train operations under normal operating conditions. Construction commenced in FY2020 for Phase 1 of Long Slip Project and will continue to



advance in FY2021. Final design of Phase 2 will also continue to advance in FY2021.

The 112-year-old **Raritan River Bridge** on the North Jersey Coast Line was damaged during Superstorm Sandy. It will be replaced through an FTA Competitive Resilience Grant that supports design and construction of a new moveable bridge. The existing swing-span bridge, spanning the Raritan River between Perth Amboy and South Amboy, will be replaced by a new lift bridge constructed with more durable materials at a higher vertical elevation. In addition to raising the bridge deck, tracks and control systems above Federal Emergency Management Agency Base Flood Elevation (BFE), portions of the bridge that remain below BFE will be designed to withstand storm surges during extreme weather events. Contract 1, advertised in FY2020 and scheduled to be awarded in FY2021, includes construction of the bridge approach spans, lift-bridge piers and associated land work. A Special Prequalification Package for Contract 2, which was advertised in FY2019, will be re-advertised in FY2021 to encourage more competition. Contract 2 includes construction of the lift bridge and flanking span superstructure, communications, signal and overhead catenary

work. A third contract will include demolition of the existing structure. A groundbreaking ceremony for the new bridge, led by Governor Phil Murphy, was held in September 2020.

NJ TRANSITGRID - this project was recently reimagined to maximize the use of renewable energy technologies, ensuring it aligns with Governor Phil Murphy's Energy Master Plan. After NJ TRANSIT made clear its commitment to advance the project with a focus on renewables, the Board of Directors authorized a stipend program in October 2020 that allows eligible developers to receive compensation for the costs of the plans they propose and submit for consideration, which should foster innovative ideas that encourage new, thoughtful renewables integrated into the ambitious redesign of the NJ TRANSITGRID project. NJ TRANSITGRID has secured a Federal Transit Administration (FTA) Competitive Resilience Grant that supports the design, construction and operation of a Microgrid Central Facility that will provide highly reliable power to a core segment of NJ TRANSIT's critical rail and light rail services and infrastructure. The project also includes a power distribution network and installation of several smaller distributed generation facilities. A Final Environmental Impact Statement/Record of Decision was issued by the FTA in FY2020. NJ TRANSIT issued a bid package for Distributed Generation Services to prequalified teams in FY2020, and anticipates awarding the contract in FY2021. Partners on this project include the State of New Jersey's Office of Recovery and Rebuilding, the FTA, the U.S. Department of Energy, the New Jersey Board of Public Utilities, the New Jersey Department of Environmental Protection, the New Jersey Office of Homeland Security and Preparedness and other public and private stakeholders. NJ TRANSIT will continue to engage with advocates and other external stakeholders as this critical resilience project continues to advance.

Another Competitive Resilience project, NJ TRANSIT's **Signals and Communications Resilience** project, will make critical system components in designated areas more resilient to future storm events by elevating components located along segments of the Morris & Essex, Main/Bergen, Pascack Valley and Raritan Valley lines and the Hudson-Bergen Light Rail system. A design-build project is being developed to execute the project. Design and construction advanced in FY2020 and will continue on all remaining commuter and light rail lines in FY2021.

NJ TRANSIT is taking necessary steps to comply with state legislation that sets ambitious goals to increase electric vehicles and improve charging infrastructure in New Jersey. The Board of Directors has approved plans for **charging-station infrastructure** and will soon approve **Battery Electric Buses (BEBs)** to be operated and maintained at Newton Avenue Garage in Camden. The project calls for the acquisition of at least eight, 40-foot BEBs and associated electric charging infrastructure. The first BEBs will be placed into revenue service in 2021, providing an opportunity to measure the impacts on electricity usage, operations, training and long-term feasibility of an electric bus fleet.

NJ TRANSIT installed six **electric-vehicle charging stations** to support six Toyota Prius Primes in the corporate fleet. Planning and design are underway for 30 more chargers at Headquarters. The use of electric vehicles will increase energy security, improve fuel economy, lower fuel costs and reduce emissions. NJ TRANSIT is planning for the future of an all-electric fleet and is working with other state agencies to ensure the mandates are met.

New diesel engines are being installed on River LINE Light Rail Vehicles (LRVs). The custom **Tier IV diesel engines** meet all current Federal EPA emission standards, reducing emissions, providing better fuel efficiency and extending the useful life of the LRVs by 10 years.

Governor Phil Murphy speaks at the Raritan River Bridge groundbreaking event in South Amboy.



NJ TRANSIT continues to support **Transit Oriented Development (TOD)** projects. A tri-party agreement with the **Town of Dover** and developer Pennrose paves the way for the development of a new affordable housing complex near Dover Station on the Morris & Essex Lines, with a preference for military veterans. Meanwhile, construction is advancing on a residential development adjacent to **Somerville Station** on the Raritan Valley Line.

Selection of a developer is being finalized for a TOD project in Matawan on the North Jersey Coast Line, adjacent to **Aberdeen-Matawan Station**. Meanwhile, developers will be invited to respond to a Request for Proposal (RFP) to develop property at Hudson-Bergen Light Rail's **34th Street Station** in Bayonne. Finally, NJ TRANSIT and the Township of Woodbridge are jointly exploring a prospective development project at **Metropark Station** on the Northeast Corridor.

NJ TRANSIT's **Transit-Friendly Land Use and Development Program** assists municipalities with planning for transit-oriented and transit-supportive development. Work in FY2020 included development of improved online resources and tools, which will soon be available in a user-friendly format on NJ TRANSIT's website. **NJTOD.org** provides local, regional and international TOD news, and will soon provide a data application tool giving interested parties the ability to map and create reports on specific communities or geographic areas.

A **prototype "wrap"** was installed on the exterior of a River LINE LRV to determine if it is more cost-effective, environmentally safe and easier to apply than traditional painting. The material is produced by 3M and is expected to last 7-10 years compared to a five-year paint job.

NJ TRANSIT is investigating the use of a **solar photovoltaic (PV) Power Purchase Agreement (PPA)**, advancing distributed energy resources to offset onsite electricity use, promoting environmental stewardship and resilience, reducing electricity price volatility, and restoring/replacing/repairing roofs at identified locations as applicable. NJ TRANSIT has completed a feasibility study and Request for Qualifications (RFQ), and will issue a Request for Proposals (RFP) from experienced solar PV developers to finance, design, build, own and operate solar rooftop and canopy systems with possible battery storage at bus maintenance facilities.

NJ TRANSIT participates in the **Local Government Energy Audit** offered by New Jersey's Clean Energy Program, identifying energy-efficient cost savings, reducing operating expenses and improving the health and productivity of building occupants. NJ TRANSIT has completed lighting upgrade projects at Newark Bus Complex, Meadows Maintenance Complex and Headquarters. New audits are planned for Newark Penn Station, Secaucus Junction, Headquarters, Trenton Transit Center and the Meadows Maintenance Complex in FY2021.

One of the goals of NJ TRANSIT's **NJT2030** 10-year strategic plan is to promote a sustainable future for our planet, including development of the agency's first **sustainability plan** by 2023. As a first step, NJ TRANSIT is working to release a **Greenhouse Gas (GHG) Inventory Report**, which will examine the emissions released and displaced by NJ TRANSIT, and inform ongoing environmental efforts and the future sustainability plan.

Build an ACCOUNTABLE, INNOVATIVE AND INCLUSIVE Organization that Delivers for New Jersey

In November 2019, NJ TRANSIT welcomed more than 140 participants from 54 private and public entities to its first-ever **Innovation Challenge** at the Meadowlands Sports & Entertainment Complex to discuss challenges and seek possible innovative solutions to transporting people to and from the venue.

Another 80 participants joined the meeting via livestream. The goal was to bring new ideas and modes of transportation to the table, as NJ TRANSIT solicited feedback from construction, engineering, manufacturing and planning firms; on-demand transportation providers; colleges and universities; public transportation agencies; and other interested



Innovation Challenge - 2019

parties. The Meadowlands presents unique challenges to mass transit, including sporting events and concerts at MetLife Stadium, the American Dream mall that will have 20,000 employees and 40 million visitors each year, highly sensitive environmental features, and an existing rail line to the stadium. NJ TRANSIT sought partners that could provide end-to-end solutions for peak-capacity service, including design, build, operations and management, as well as identifying the financial resources to make a proposal a reality. NJ TRANSIT then issued a Request for Expressions of Interest to identify qualified, experienced firms capable of identifying new strategies that could help transform mass transit in New Jersey. After receiving dozens of expressions of interest, NJ TRANSIT began evaluating responses and determining next steps. The agency has been pleased with the quantity and quality of the responses and looks forward to progressing to the procurement phase.

In support of Governor Phil Murphy's Executive Order No. 80 and the Corporation's commitment to improve service and transparency, NJ TRANSIT launched a **"Progress by the Numbers" performance dashboard** on njtransit.com. It uses industry-standard metrics for bus, rail, light rail and Access Link on-time performance and mechanical reliability. The dashboard statistics also include the total number of train cancellations and the reasons for cancellations. Progress by the Numbers can be found at www.njtransit.com/improve.

NJ TRANSIT continues to attract attention from the entertainment industry while providing another source of non-farebox revenue for the Corporation. Two **film permits** were issued to HBO in FY2020 for projects at Hoboken Terminal. Scenes from *The Plot Against America*, starring Wynona Ryder and John Turturro, and *Lincoln Rhyme: Hunt for the Bone Collector*, starring Russell Hornsby and Michael Imperioli, were filmed at the historic terminal, generating \$300,000 in revenue.

BEING A BETTER BUSINESS PARTNER

Since 2018, NJ TRANSIT **has improved its business practices, built stronger relationships with suppliers and expanded its vendor base**, generating strong results. In 2017, the average cycle time from advertisement to award for federal construction was 339 days; by 2020, NJ TRANSIT had reduced it to only 134 days. Similarly, in 2017, average cycle time for state construction was 278 days; by 2020, it was reduced to 132 days. Faster procurement gives operations personnel the parts and materials they need to keep the fleet running and gets new equipment online more rapidly. It also helps build new facilities more quickly and at a more reasonable cost. To increase the agency's business partnership potential even further by 2030, NJ TRANSIT is working to fully automate its processes, including contract writing, system routing and converting to a paperless contract filing system, further increasing performance while reducing project delivery timelines and costs.

COMMITMENT TO DIVERSITY & INCLUSION

NJ TRANSIT believes that every employee, customer, business partner and community member should feel **welcomed, included and reflected** in all of the Corporation's services and programs, with the diversity of NJ TRANSIT employees a key to our success. As a result, the agency's approach to talent management focuses on recruiting, developing, training, equipping, promoting and retaining top talent at all levels of the Corporation, and should reflect the wide diversity of New Jersey. To help the agency accomplish that, NJ TRANSIT has launched a market analysis and job classification study to support meaningful succession planning, and is adopting an enhanced performance management philosophy and process to ensure employees are recognized and rewarded for their success.

Community Transportation/ Senior Citizen & Disabled Resident Transportation Assistance Program (SCDRTAP)

NJ TRANSIT supports local community transportation services operated by counties, municipalities and non-profit organizations in New Jersey.

NJ TRANSIT passed through approximately \$49 million in federal and state grant funds in FY2020 for senior citizens, people with disabilities, and rural and low-income resident transportation for community-based transportation programs. These transportation services include trips for non-emergency medical appointments, veterans' services, nutrition programs, shopping, employment and job training in all 21 counties. Several local community transportation services provide connections to NJ TRANSIT's bus, rail and light rail service. NJ TRANSIT also partners with the state's eight Transportation Management Associations to coordinate nearly 170 commuter vanpools and provide oversight of 378 bike lockers at rail stations.



Essex County accommodated a resident's out-of-county medical trip requests, including dialysis treatment trips, during COVID-19.

NJ TRANSIT also administers the **State's Senior Citizen & Disabled Resident Transportation Assistance Program (SCDRTAP)** in accordance with the "Senior Citizen and Disabled Resident Transportation Assistance Act" of 1984. SCDRTAP is funded through an annual allocation of 8.5 percent of casino revenue taxes. Eighty-five percent of the funds are provided to the state's 21 counties, providing transportation to senior citizens and people with disabilities. In 2020, that represented \$15.5 million allocated through SCDRTAP for non-emergency medical transportation. The remaining 15 percent is allocated to NJ TRANSIT to administer the SCDRTAP program and improve NJ TRANSIT accessible services. This includes the New Jersey Travel Independence Program (NJ TIP), which helps people with disabilities independently learn how to use NJ TRANSIT, provides Americans with Disabilities Act (ADA) training opportunities for community transportation providers, and expands the Transportation Network Company (TNC)

transit-on-demand pilot program (Uber, Lyft or other app-based, ride-hailing providers).

In 2018, NJ TRANSIT developed a TNC transit-on-demand pilot project, allocating a small portion of funds to supplement county services with TNC services. In April 2019, Essex County launched a TNC pilot to provide expanded transportation services for senior and disabled residents. Essex County accommodated a resident's out-of-county medical trip requests, including dialysis treatment trips, during COVID-19. NJ TRANSIT is in the process of offering additional TNC pilots with more counties under their SCDRTAP programs, allowing county transportation systems an opportunity to expand their services across multiple county borders.

With the arrival of COVID-19 in March 2020, many important government programs were suspended. County transportation employees, who were deemed essential workers, helped to fill the gap by providing non-emergency medical trips (NEMT), as well as meal deliveries

Cape May received this accessible bus in FY2020 to meet local transportation needs.



and employment, education and food shopping trips. The county transportation departments worked closely with their Health and Office of Emergency Management departments to develop safe operating plans to continue these vital services for senior and disabled residents.

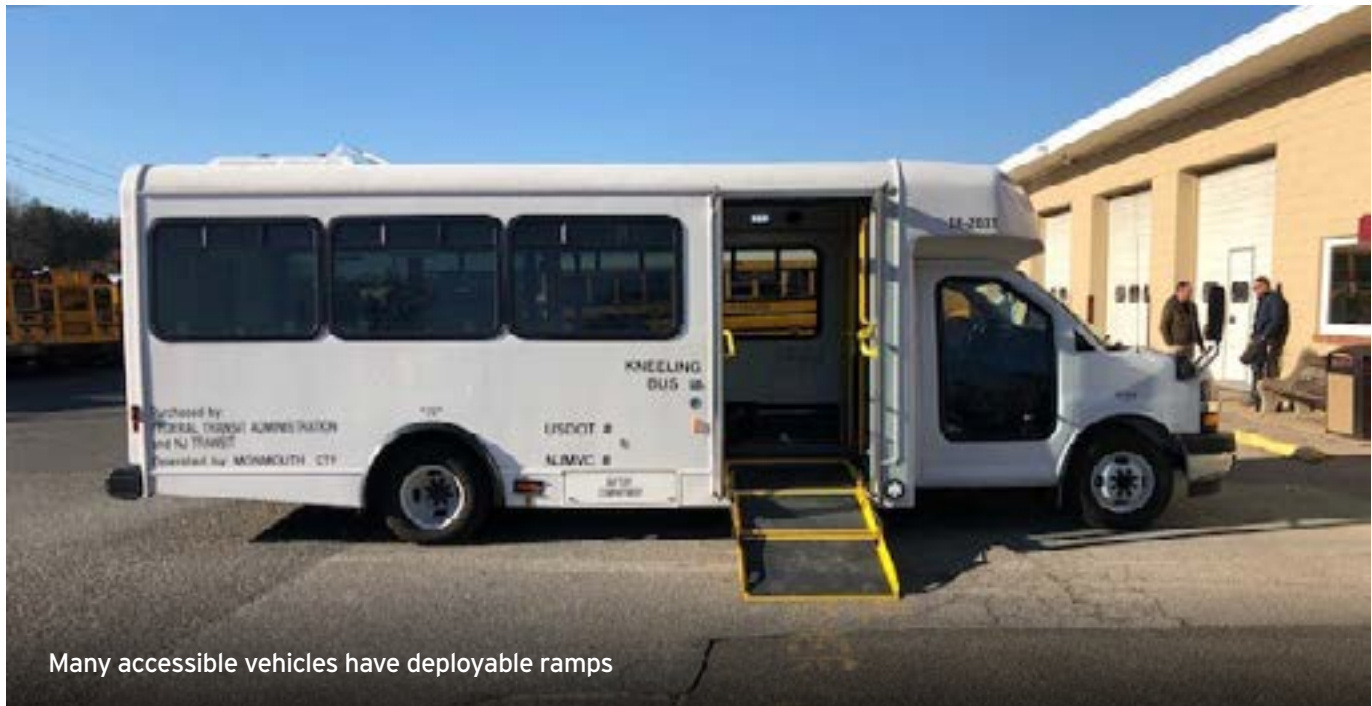
Each county has required face masks for customers and drivers unless there are health reasons for not wearing a mask. Because all counties have computerized Routing, Scheduling & Dispatching (RSD) systems, trips are scheduled to provide proper social distancing on vehicles. They also implemented new practices to minimize driver interaction. Each county provides Personal Protective Equipment (PPE) and disinfection machines, and more frequent cleaning procedures, with some utilizing outside professional services.

Under the CARES ACT, New Jersey's Federal Transit Administration (FTA) Section 5311 program received an additional \$13 million in 2020 funds for transportation providers who serve transit-dependent populations in rural areas of the state. These funds allowed for additional operating expenses to help rural riders socially distance on vehicles, and for PPE and disinfecting equipment to clean the vehicles and equipment used to transport passengers.

In June 2020, the USDOT distributed more than 15 million cloth face coverings to transportation agencies across the country for the protection of safety-sensitive employees. New Jersey's community transportation providers received over 5,000 of these masks for their frontline employees.



A Sussex County community transportation driver wears a mask donated by the USDOT.



Many accessible vehicles have deployable ramps

The following chart details the FY2020 SCDRTAP passenger trip information for New Jersey's 21 counties.

NORTHERN		CENTRAL		SOUTHERN	
BERGEN	92,436	HUNTERDON	15,051	ATLANTIC	12,305
ESSEX	25,547	MERCER	73,980	BURLINGTON	14,304
HUDSON	19,370	MIDDLESEX	36,460	CAMDEN	16,221
MORRIS	21,441	MONMOUTH	23,703	CAPE MAY	69,927
PASSAIC	46,335	OCEAN	22,300	CUMBERLAND	11,468
SUSSEX	5,229	SOMERSET	25,635	GLOUCESTER	15,928
WARREN	14,149	UNION	43,968	SALEM	11,010
TOTAL	224,507	TOTAL	241,097	TOTAL	151,163

APPENDIX A

This chart contains information about NJ TRANSIT's workforce, including demographics and financial information per N.J.S.A. 27:25-20. The Agreement Average Salary figures do not include overtime earnings.

Parent Department	Non-Agr Total	Non-Agr Avg Sal	Agr Total	Agr Avg Salary	Total Male	Total Female	White	Black	Hispanic	Asian	Two+	Amer Indian	Pacific
BOARD SECRETARY	14	\$72,728.00		\$0	3	11	3	5	4	1	1	0	0
BUS	482	\$72,137.00	4,934	\$59,309	4,116	1,300	1,088	3,046	1,079	147	41	10	2
COMM & CUST. EXP	96	\$72,187.00	45	\$78,359	54	87	49	82	6	2	1	0	1
COMPLIANCE DEPT	9	\$100,745.00	0	\$0	3	6	4	2	1	2	0	0	0
CP & P	154	\$98,508.00	0	\$0	95	59	86	33	9	24	2	0	0
CR-DIVERSITY PGS	10	\$95,352.00	0	\$0	3	7	1	6	2	1	0	0	0
DIVISION OF LAW	6	\$65,213.00	0	\$0	0	6	0	6	0	0	0	0	0
EEO DEPARTMENT	8	\$90,225.00	0	\$0	3	5	2	4	1	1	0	0	0
FINANCE	172	\$83,262.00	103	\$56,493	100	175	82	140	31	17	5	0	0
GOVT & EXT AFFRS	8	\$93,717.00	0	\$0	4	4	6	1	1	0	0	0	0
HUMAN RESOURCES	73	\$85,351.00	7	\$52,900	17	63	30	29	11	8	2	0	0
INTERNAL AUDIT	13	\$90,540.00	0	\$0	8	5	7	1	1	4	0	0	0
LT RAIL/CONTRACT	96	\$69,892.00	93	\$61,920	115	74	39	121	25	3	1	0	0
ORG SERVICES	14	\$64,697.00	20	\$49,997	27	7	14	14	3	2	1	0	0
PLANNING	53	\$82,272.00	0	\$0	24	29	33	10	6	4	0	0	0
POLICE	37	\$86,734.00	309	\$94,369	289	57	235	49	48	9	5	0	0
PRESIDENT & CEO	7	\$135,105.00	0	\$0	3	4	5	1	0	1	0	0	0
PROCUREMENT SUPT	55	\$82,644.00	48	\$60,643	64	39	36	42	22	2	1	0	0
RAIL	369	\$94,314.00	4,220	\$63,836	3,934	655	2,512	1,388	522	108	45	7	4
SAFETY	43	\$84,486.00	1	\$66,602	31	13	25	13	2	4	0	0	0
TECHNOLOGY	128	\$89,257.00	9	\$64,620	105	32	67	25	9	32	3	1	0
TOTAL >>	1,847	\$83,288.00	9,789	\$62,434	8,998	2,638	4,324	5,020	1,785	373	109	18	7

APPENDIX B

Effective December 20, 2018, the State legislature enacted changes to N.J.S.A. 27:25-20. As amended, Subsection b of that statute requires NJ TRANSIT to report certain accident information for reportable accidents that occurred during the previous year which involved a rail passenger vehicle or motorbus operated by, or under contract to, the Corporation, including the total number of accidents and any fines, penalties, or judgments levied against the Corporation related to any such accident. Reportable accidents are defined in accordance with applicable federal reporting criteria.

NJ TRANSIT must also report information regarding any safety violations for which the Corporation received a notice of violation in the previous year, including the total number of safety violations and any fines or penalties levied against the Corporation related to any such safety violation.

A. ACCIDENT INFORMATION FOR REPORTABLE ACCIDENTS

NJ TRANSIT reports accident data involving light rail vehicles and motorbuses to the Federal Transit Administration (FTA). It reports accidents involving commuter rail vehicles operated by the Corporation to the Federal Railroad Administration (FRA). An accident is reportable if it meets criteria within applicable federal regulations and guidelines. The data reported in the table below is derived from the above mentioned publicly available federal resources.

Mode	No. of Reportable Accidents	Fines, Penalties & Judgments
BUS		
Bus Directly Operated	220	None
Bus Purchase Transport	6	None
LIGHT RAIL		
Light Rail Directly Operated	9	None
Light Rail Purchase Transport	10	None
Hybrid Rail Purchase Transport	12	None
COMMUTER RAIL		
Grade Crossing Incidents	11	None
Other FRA Reportable Train Accidents (includes rail equipment accidents that occur in yards)	27	None

B. SAFETY VIOLATIONS

NJ TRANSIT is regulated by a number of federal and state agencies, including the Federal Railroad Administration (FRA). The FRA is frequently on site, performing inspections of NJ TRANSIT Rail Operations. During Fiscal Year 2020 (FY2020), the FRA issued 253 inspection reports, listing 727 items inspected. During that same timeframe, the FRA issued 44 Notices of Violation, listing 80 violations. In the Notices, the FRA proposed civil penalties totaling \$277,000. NJ TRANSIT is contesting the violations that allegedly occurred in FY2020 and has paid no penalties to date.

During FY2020, NJ TRANSIT Rail Operations also received zero Notice(s) of Order to Comply from the New Jersey Public Employees Occupational Safety and Health (PEOSH). Notice(s) of Order to Comply do not include fines and give the employer an opportunity to provide corrective actions.

During FY2020, NJ TRANSIT Bus Operations also received zero Notices of Order to Comply from the New Jersey Public Employees Occupational Safety and Health (PEOSH).

During FY2020, NJ TRANSIT Bus Operations received 24 motor coach/bus Out-of-Service Violations (OOS) from the New Jersey Department of Transportation and/or New Jersey State Police. These OSS violations do not carry monetary fines; rather the vehicle is taken out of service until the vehicles are repaired.

During FY2020, NJ TRANSIT Light Rail received two Notices of Violations from the Federal Transit Administration (FTA) and zero Notices of Order to Comply from PEOSH. There are no monetary fines associated with the Notices of Violation. NJ TRANSIT provided the requested information to remedy the Notices of Violation.

In addition, during FY2020, NJ TRANSIT received two bus idling violations. One was issued by the Bergen County Department of Health Services, in the amount of \$250.00; and the other was issued by the City of New York, in the amount of \$110.00.

During FY2020 NJ TRANSIT also received 29 Notices of Violation and Orders of the Commissioner, containing 105 violations and 85 Re-Inspection Results, containing 20 open violations from the Department of Community Affairs for Uniform Fire Code and Uniform Fire Safety Act violations. NJ TRANSIT was allotted time to remedy the violations prior to re-inspection. There were two monetary penalties assessed totaling \$2,000.

NJ TRANSIT ON-TIME PERFORMANCE

by Mode FY2020

BUS



RAIL



LIGHT RAIL





Departing Newark Broad Street Station

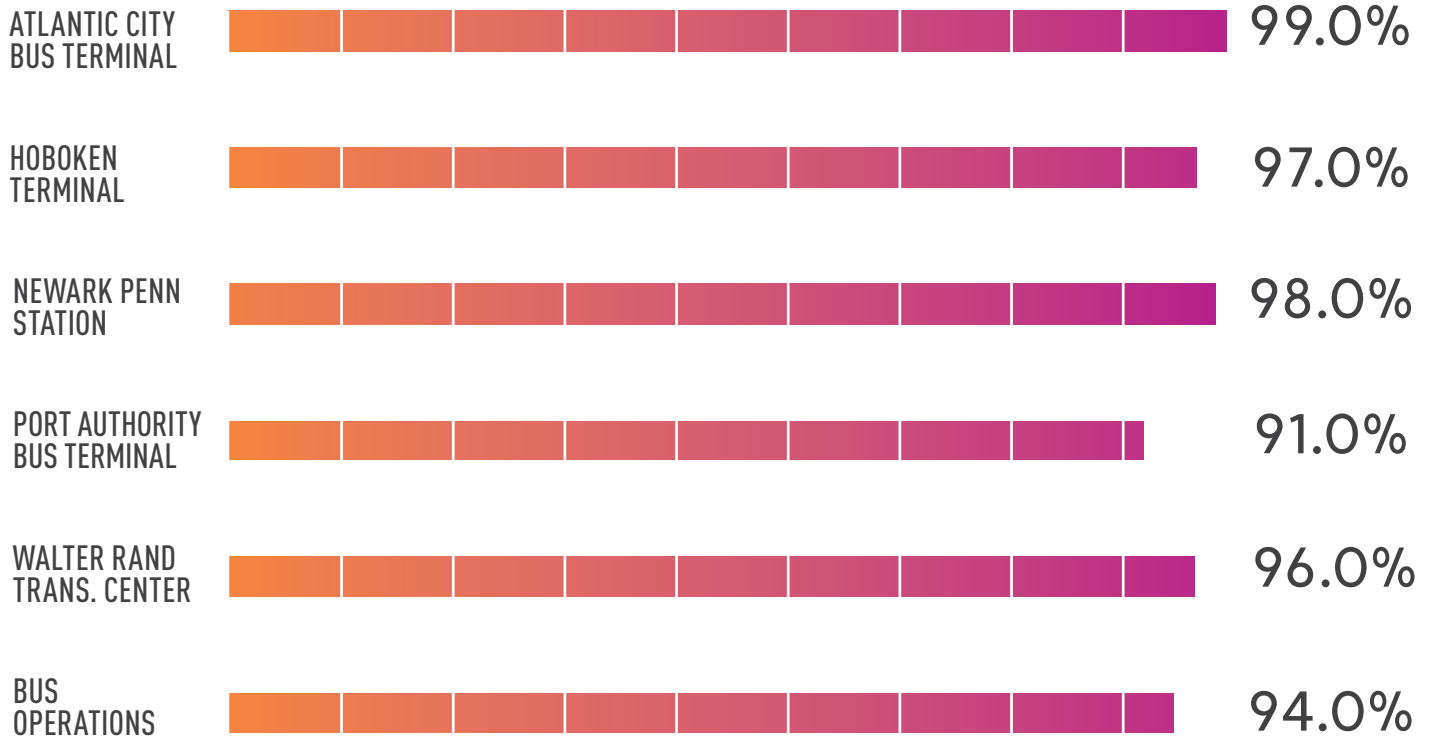
BUS Methodology

Any bus that departs the terminal within five minutes and 59 seconds of its scheduled departure is considered on time. Station Starters at these locations are responsible for logging passenger counts, delays, and their causes. In addition to terminal-based on-time performance monitoring, NJ TRANSIT uses Automatic Passenger Counting software to assess Timepoint Schedule Adherence for every scheduled timepoint on all bus routes throughout the system, on a quarterly basis. Using this data, staff can make incremental adjustments to scheduled running times by time of day to reflect current operating conditions. These adjustments improve the reliability of schedules at timepoints along bus routes, improving the customer experience at little or no cost.

Bus service in the state capital



NJ TRANSIT On-Time Performance by Bus Terminal FY2020



NJ TRANSIT records on-time performance at the following bus terminals:

Atlantic City Bus Terminal
seven days a week, 24 hours a day

Hoboken Terminal
weekdays from 2:30 p.m. to 6:30 p.m.

Newark Penn Station
weekdays from 2:30 p.m. to 6:30 p.m.

Port Authority Bus Terminal
weekdays from 3:30 p.m. to 7 p.m.

Walter Rand Transportation Center
weekdays from 6 a.m. to 9 p.m.

RAIL

Methodology

NJ TRANSIT considers a train to be on time if it arrives at its final destination within five minutes and 59 seconds of its scheduled time. Trains that fail to depart from their originating station or are canceled enroute are considered late for recording purposes. This standard is used by all commuter railroads in the Northeast.

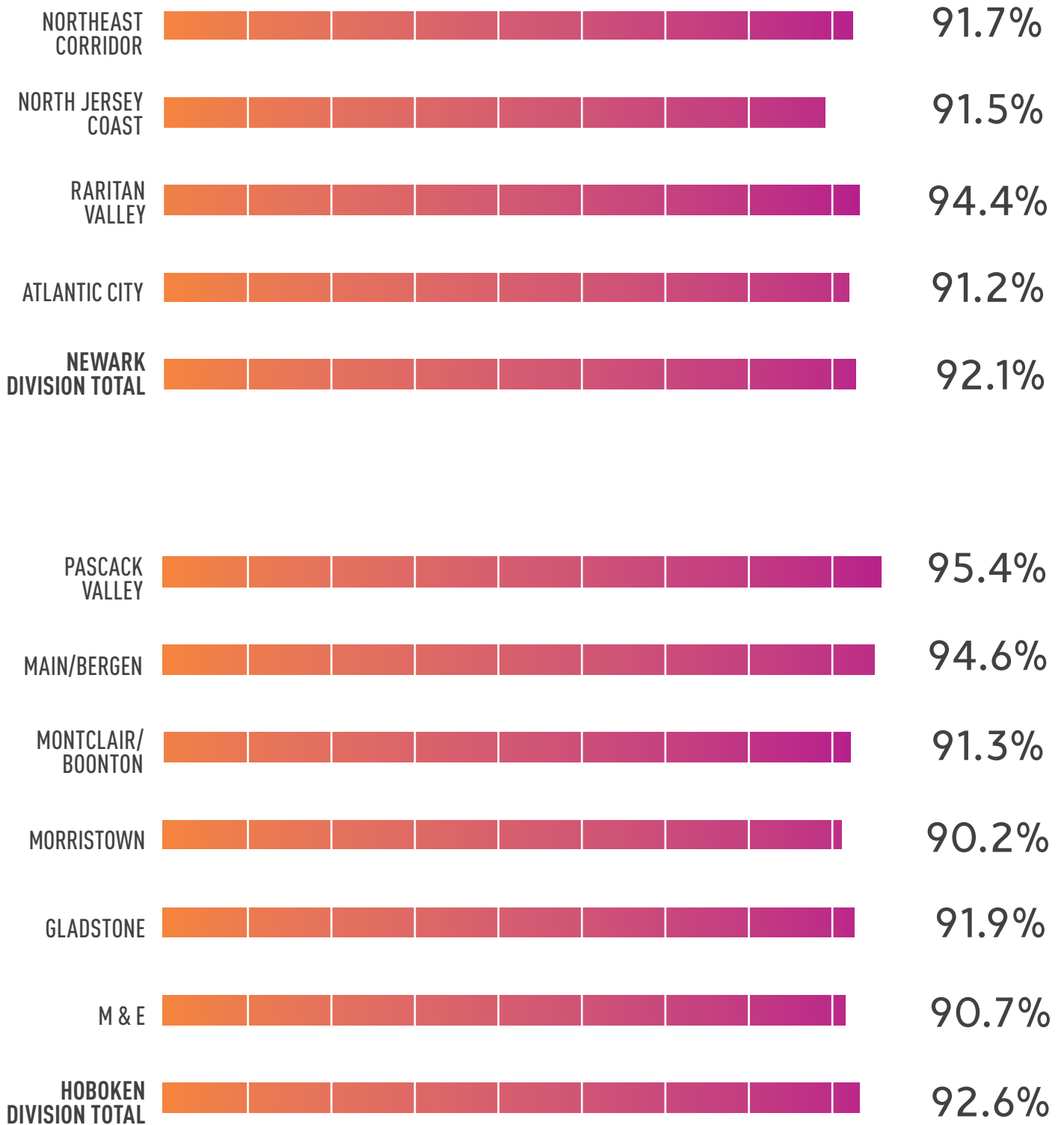
To accurately record on-time performance and maintain a database from which reports can be generated, NJ TRANSIT developed a mainframe-based computer system that calculates on-time performance and provides reports and analyses. It also provides input to other NJ TRANSIT systems.

NJ TRANSIT also uses a computer-based train dispatching system called Train Management and Control (TMAC) at its Rail Operations Center, which is synchronized with the atomic clock located at the Naval Observatory in Colorado. TMAC provides NJ TRANSIT with the ability to accurately record a train's arrival at its final destination.

Arrival times of trains operating on Amtrak's Northeast Corridor are recorded by the Amtrak delay clerk and forwarded to the supervisor at the Rail Operations Center at prescribed times during the day. An NJ TRANSIT supervisor, located at the Amtrak dispatching center in New York, reviews delays to ensure they are accurate before they are transmitted. Amtrak also uses a computerized software system to dispatch trains and record timing locations.



NJ TRANSIT On-time Performance by RAIL Line FY2020



LIGHT RAIL

Methodology

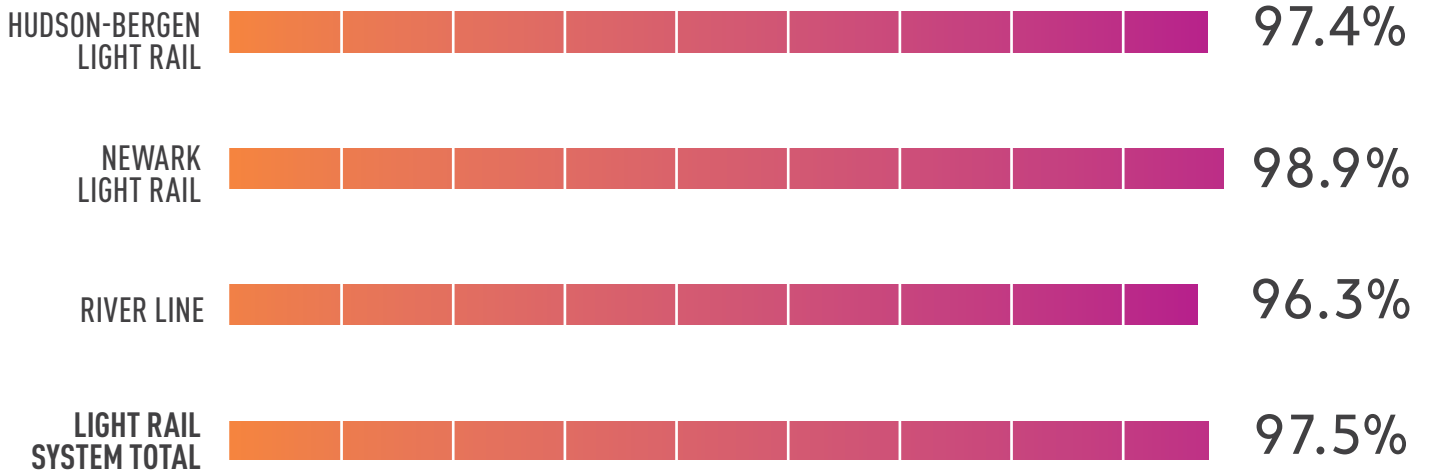
NJ TRANSIT monitors on-time performance using information management systems in its control centers. Train departure and arrival times are automatically tracked by computer systems that compare terminal departure and arrival times to the times posted in the public timetable.

A Hudson-Bergen Light Rail train is counted as late if it leaves its origin terminal ahead of schedule or arrives at its final destination terminal more than four minutes and 59 seconds late. A River LINE train is late if it arrives at its final destination terminal more than five minutes and 59 seconds late.

On Newark Light Rail, a train operated as a separate segment between Newark Penn Station and Broad Street Station is considered late if it leaves its origin terminal ahead of schedule or arrives at its final destination after three minutes. On the segment between Grove Street Station and Newark Penn Station and on through service from Grove Street Station to Broad Street Station, a train is considered late if it leaves its origin terminal ahead of schedule or arrives at its final destination after five minutes.

NJ TRANSIT conducts audits of the information management and reporting systems to ensure the accuracy of the data.

NJ TRANSIT On-time Performance by LIGHT RAIL Line FY2020



Exchange Place in Jersey City

Board of DIRECTORS

Orange Station





DIANE GUTIERREZ-SCAC CETTI
Board Chair

Diane Gutierrez-Scaccetti was confirmed as the 19th Commissioner of the New Jersey Department of Transportation on June 7, 2018. She was appointed Acting Commissioner December 19, 2017 and began serving on January 16, 2018.

A native New Jerseyan, Ms. Gutierrez-Scaccetti is a transportation professional with more than 28 years in the industry, and 34 years in government service. She possesses extensive executive, operational, and planning knowledge.

Most recently, the Commissioner served as the Executive Director and CEO at Florida's Turnpike Enterprise, a part of the Florida Department of Transportation. Under her leadership, Florida's Turnpike Enterprise managed more than 460 centerline miles and a 5-year capital program in excess of \$6 billion, supported by \$1 billion in revenues.

This capital program included the construction of SunTrax, a 2.25-mile test track and research facility for the development of transportation technology, including automated and connected vehicle applications, and managed lanes within the Turnpike System. SunPass, Florida's statewide electronic toll collection system, was under her charge. As Executive Director and CEO, Gutierrez-Scaccetti was a member of the Executive Committee of the Florida Department of Transportation, a policy setting body that reports to the Secretary of Transportation.

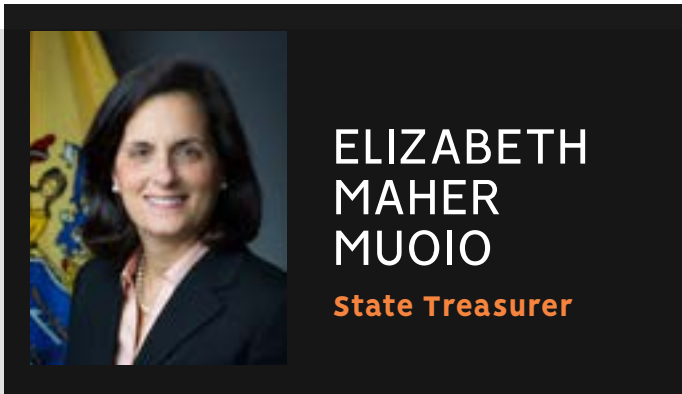
Prior to the Commissioner's Florida experience, she spent 21 years at the New Jersey Turnpike Authority, working her way up from a Contract Administrator to the post of Executive Director, a position she held from 2008 to 2010. During her tenure, she managed the day-to-day administrative operations and was chief negotiator for the agency's several collective bargaining units.

Ms. Gutierrez-Scaccetti participated in several major agency initiatives, including the remediation of the E-ZPass System, the financial and operational consolidation of the New Jersey Turnpike Authority and New Jersey Highway Authority, bringing the New Jersey Turnpike and Garden State Parkway under a single organization. A major undertaking was the development and financing of a 10-year, \$7 billion capital program that kicked off the widening of the New Jersey Turnpike from Interchange 6 to Interchange 9. This transformational project provided significant congestion relief to a major portion of the I-95 Corridor.

The Commissioner's accomplishments and leadership have been recognized by the Executive Women of New Jersey, WTS Central Florida Woman of the Year, and Orlando Business Journal's 2015 CEO of the Year for the Public Sector.

Ms. Gutierrez-Scaccetti is a member of the Board of Directors of AASHTO, IBTTA, NASTO and an Executive Committee Board Member of the I-95 Corridor Coalition. She serves as the Chair of the Coalition's Toll Violation Enforcement Reciprocity Task Force, and was instrumental in implementing Regional Toll Interoperability of SunPass in the Southeastern U.S.

Commissioner Gutierrez-Scaccetti holds degrees from the University of Connecticut (BS) and Rutgers, The State University of New Jersey (MS).



Elizabeth Maher Muoio was officially sworn in as State Treasurer on April 17, 2018, after being confirmed by the State Senate. She had been serving as Acting State Treasurer since Gov. Murphy assumed office on January 16, 2018. Prior to joining the administration of Gov. Murphy, she had served as a member of the New Jersey General Assembly, representing the 15th Legislative District in Mercer and Hunterdon counties since February of 2015.

During her time in the General Assembly, Ms. Muoio served on the Assembly Budget, Judiciary, and Commerce and Economic Development committees where her signature legislative initiatives focused on improving access for women's healthcare, closing the gender pay equity gap, protecting the environment, reducing exposure to hazardous lead, improving prison re-entry services, increasing literacy rates,

fighting against concentrated poverty and expanding economic opportunities for all New Jerseyans.

As a result of her legislative efforts, she was honored for her work in the Assembly by the Sierra Club of NJ, the Trenton Chapter of the NAACP, the New Jersey Association of the Deaf, Inc., the Constitutional Officers Association of New Jersey (COANJ), the National Congress of Black Women - Trenton/Mercer Chapter, and the Trenton Public School system for her efforts to help improve literacy.

Ms. Muoio also served as Director of the Mercer County Office of Economic Development and Sustainability from 2008 to January 2018. Prior to assuming that position, she served as a member of the Mercer County Board of Chosen Freeholders from 2000-2008, serving as Chair in 2004 and Vice Chair in 2003 and 2008.

She began her career as an elected official serving as a member of the Pennington Borough Council from 1997 to 2002.

An attorney, Ms. Muoio received her JD from Georgetown University in Washington, DC, and her BA from Wesleyan University in Middletown, CT.



Brian T. Wilton serves as Deputy Chief Counsel of the Authorities Unit, which provides oversight of the governance and operations of more than 50

independent State and bi-state agencies on behalf of the Governor.

Prior to joining state government, Brian was a practicing civil litigation attorney and municipal prosecutor. In addition to legal practice, he served as a councilman and Mayor in the Borough of Lake Como from 2005 until 2018. In conjunction with his municipal service, Wilton was an active member of the New Jersey League of Municipalities legislative committee.

He holds a B.A. in History with a minor in Political Science from the University of Scranton and a J.D. from Seton Hall University School of Law.



JAMES D. ADAMS

James D. Adams, PE, is Vice President for KS Engineers, the largest minority-owned engineering firm in New Jersey. A licensed Professional Engineer, Mr. Adams has held leadership positions at key public-sector agencies, including the Garden State Parkway, Port Authority of New York & New Jersey, City of Newark, and New Jersey Schools Development Authority. He has led critical building and infrastructure projects in the region, including the John F. Kennedy (JFK) Airport Redevelopment,

Newark Prudential Center, Newark City Subway/Light Rail, and the Goethals Bridge Replacement Project.

Mr. Adams holds a Bachelor's Degree in Civil Engineering from Villanova University, and a Master's of Science in Technology Management from Stevens Institute of Technology. He has served on the Transportation and Infrastructure Committee - 8th Congressional District, and as a member of the Board of Trustees of the North Jersey Transportation Planning Authority.

He is the recipient of the ASCE Government Engineer of Year Award, and the Newark Regional Business Partnership Transportation Leadership Award.

Mr. Adams is a lifelong New Jersey resident, and currently resides in West Orange, New Jersey.



Secaucus Junction



SANGEETA DOSHI

Councilwoman Doshi has lived in Cherry Hill since 1996. She has worked as a professional in the telecommunications sector and is a former small business owner. She has been a member of the Domestic Violence Response Team, the Cherry Hill Planning Board and the Cherry Hill Zoning Board of Adjustment. She has volunteered with Cherry Hill

Atlantic Little League and Moms Demand Action. She is an active member of the Human Relations Committee, Indian Cultural Center and Indian Temple Association.

Ms. Doshi serves on the District IV Legal Ethics Committee and on the advisory boards of Inspiring South Asian American Women, the New Jersey Leadership Program, the Asian American Alliance in South Jersey and the North South Foundation. In 2020, she was appointed to the NJ TRANSIT Board of Directors.

She holds a BS in Electrical Engineering from Worcester Polytechnic Institute, and an MBA from Babson College.



Bus, Rail and Light Rail at Newark Broad Street Station



Cedrick T. Fulton is an accomplished executive with an impressive +20-year career that includes advancement into increasingly demanding leadership roles. Throughout his career, he’s earned a reputation as a passionate inspirational motivator who leads by example through focused consistency, integrity and innovative thinking. With a wealth of executive-level experience, he is as much at home directing smooth daily operations as he is in driving change. He brings game-changing perspectives to the table due to his experience/expertise working across large organizations. He is a proven thought leader and change catalyst who knows how to maximize the achievement of business goals to deliver concrete results. He’s a consummate executive known for creating an engaged and cohesive workplace built on a foundation of collaboration, trust, and commitment and that engenders a natural focus on customer service.

Most recently with the New York Transportation Authority, Cedrick made key contributions, serving as the President of the Triborough, Bridge & Tunnel Authority (TBTA). Most notably, he led the final implementation of an all-electronic tolling system that serves one million customers daily, collects \$2 billion in annual revenue, improved travel time by 32 percent, and reduced toll plaza collision rate by 41 percent. Also, he propelled the completion of \$500 million of Super Storm Sandy Tunnel Restoration Projects to smooth completion at the Hugh L. Carey and Queens Midtown tunnels.

Previously as a Director and Deputy Director with the Port Authority of NY & NJ (PANYNJ), Cedrick progressed through the ranks to provide strategic leadership for management and oversight of the Lincoln and Holland Tunnels, the George Washington, Outerbridge Crossing, Goethals, and Bayonne Bridges. He also oversaw one of world’s busiest bus terminals-Port Authority Bus Terminal (PABT) as well as the George Washington Bridge Bus Station. His accomplishments include leading a departmental 10-year, \$10 billion mega-capital program, including the new Goethals and Bayonne bridges.

Prior to this, Cedrick began his career with the Port Authority of NY & NJ, progressing through a series of general management positions. In customer-oriented, operations-based, and logistics-focused roles, Cedrick aggressively pursued ways to improve efficiency, reduce costs, and/or enhance customer service.

Earlier in his career Cedrick worked for the New York City School Construction Authority (SCA) as the Director, Contract Administration, and for the New Jersey Division of Building & Construction (DBC) as a Contract Administrator. Also, noteworthy, Cedrick has served on the Board of Directors for the International Bridge Tunnel and Turnpike Association (IBTTA) and for TRANSCOM (Transportation Operations Coordination Committee). Cedrick served eight years in the United States Air Force.

Upon graduating with a Bachelor of Arts degree in Business Management from Saint Leo College in Tampa, FL, Cedrick went on to earn his Juris Doctor from Seton Hall University in Newark, NJ, where he was admitted to the New Jersey Bar in 1997.



**BOB
GORDON**

Bob Gordon was confirmed as a member of the NJ TRANSIT Board of Directors on January 13, 2020. He also serves as one of five commissioners of the New Jersey Board of Public Utilities (BPU), which he joined in April 2018. The BPU regulates all investor-owned utilities in the state to ensure that they provide their services in a safe and reliable manner and at a reasonable cost. Under Governor Murphy, the BPU is playing the lead role in advancing policies aimed at expanding the state's reliance on renewable energy and improving the resilience of the electrical grid.

Prior to his appointment to the BPU, Mr. Gordon served more than 14 years in the Legislature; 10 of those in the Senate where he attained the positions of Majority Conference Leader, and Chairman of the Senate Transportation Committee, the Legislative Manufacturing Caucus and the Senate Legislative Oversight Committee. While chairman of the latter, he conducted extensive investigatory hearings on deficiencies at NJ TRANSIT. Senator Gordon was the original prime sponsor of the law that imposed new standards of accountability and transparency on the NJ TRANSIT Board. The legislation, which was signed by Governor Murphy on December 20, 2018, restructured the board, imposed new oversight responsibilities on board members and expanded public input prior to significant changes in service.

Mr. Gordon's career has spanned the public and private sectors. In his public career, he has served at every level of government. His first job was at the President's Council on Environmental Quality, and during his early career in Washington he worked on the economics staff of the Brookings Institution, a public policy research institution, and later, at the inception of the Congressional Budget Office, joined that agency as an analyst. At the state and local levels, Mr. Gordon served as an aide to Governor Jim Florio and spent 10 years as Mayor and Council Member of the Borough of Fair Lawn. He is the author of *Governing New Jersey*, a 300-page book describing the skill requirements of key executive branch positions. In 2018, InsiderNJ.com ranked him #2 in its list of 100 top policymakers in Trenton.

Mr. Gordon's business career is equally diverse. Much of his private sector work was with large management consulting firms, where he led engagements focused on strategic planning and improving organizational effectiveness. He conducted assignments for Fortune 1000 clients in the U.S. and Europe, and later worked with the nation's largest hospital consulting firm. He managed the family textile factory in Paterson, New Jersey, and most recently, worked as a broker with one of the largest commercial real estate organizations.

Mr. Gordon earned his undergraduate degree in political economy and environmental studies from Williams College, where he graduated Phi Beta Kappa and magna cum laude. He also has a Master of Public Policy degree from the University of California at Berkeley and an MBA in finance and health care management from the Wharton School of the University of Pennsylvania.



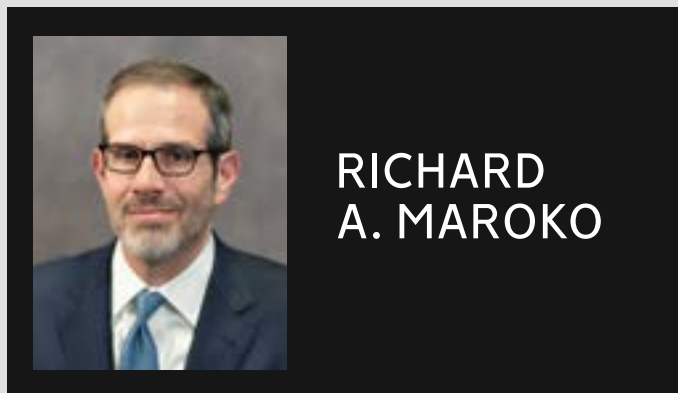
RAYMOND W. GREAVES

Raymond W. Greaves was appointed to the NJ TRANSIT Board of Directors in March 2013. He is a labor leader, Bayonne's former Third Ward Council Member and a former Trustee on the Bayonne Board of Education. He serves as State Business Agent and Chairman of the New Jersey State Council of the Amalgamated Transit Union, Vice President to the New Jersey State AFL-CIO's

Executive Board and an affiliate to the Essex West-Hudson Labor Council. His previous leadership positions with the union included Recording Secretary, Legislative Director, Treasurer/Executive Officer of Division 819 Transit Employees Credit Union and Shop Steward.

Ray received steward leadership and grievance procedure training at Rutgers University, and studied contract negotiations at the George Meany Labor College. In 2013, Greaves was named the Sicilian Citizens Club Man of the Year and became a Humanitarian Award recipient of the Simpson Baber Foundation for the Autistic. He has served several years as a committeeman for the Hudson County Democratic Organization.

Ray resides in Bayonne with his wife Ellen and three children.



RICHARD A. MAROKO

Richard A. Maroko is President of the Hotel Trades Council (HTC), AFL-CIO. HTC represents almost 40,000 workers in the hotel and gaming industries across New Jersey and New York.

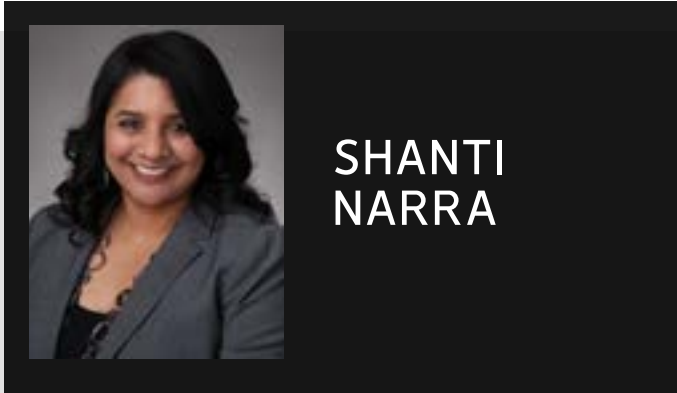
During his almost 20 years with HTC, Mr. Maroko has distinguished himself as a fierce advocate for workers. He has negotiated hundreds of groundbreaking labor contracts, including bargaining the union's master contract, valued at over \$2.5 Billion per year. Mr. Maroko also directs the union's

operations in New Jersey, where HTC recently tripled its membership and won the first ever state-wide master contract in the hotel industry.

As a civically active New Jersey resident, and as a commuter who relies on NJ TRANSIT's Montclair-Boonton Line, Mr. Maroko is committed to seeing meaningful and permanent improvements to NJ TRANSIT operations across the state.

Mr. Maroko graduated Phi Beta Kappa from Rutgers College, earned a law degree from the University of Pennsylvania, and later received a Master's degree in Labor and Employment Law, with distinction, from Georgetown University Law School. He was a long-time adjunct professor of Labor and Employment Law at Queens College, and is currently on the Board of Cornell University's Center for Innovative Hospitality and Employment Relations.

Mr. Maroko is the son of Polish and Brazilian immigrants. He currently resides in Montclair with his wife, Chanon, and is the proud father of Maria, Zoe, and Isabel.



Shanti Narra was born in Hyderabad, India and immigrated to the U.S. with her family when she was two years old. She was raised in North Brunswick, New Jersey where she attended public school and graduated from high school in 1985. She received a Bachelor's Degree in Foreign Service from Georgetown University in 1989 majoring in International Law. Ms. Narra continued her education in Washington, D.C. and received her J.D. from Georgetown University Law Center.

After a brief stint in the private sector, Ms. Narra began a long career as a public defender with the Legal Aid Society in New York City. As a senior staff attorney, she tried many complicated criminal cases. During her years as a staff attorney she was also very active in her union, the Association of Legal Aid Attorneys (ALAA). Ms. Narra served in multiple Executive Board positions first as Junior Attorney Representative, Attorneys

of Color Representative and finally several terms as Union Vice-President for Manhattan. After 10 years on staff, she joined management as a supervising attorney.

In 2004 Ms. Narra moved back to her hometown of North Brunswick (commuting back and forth to New York for her work by bus). One of the first things she did upon settling in New Jersey once again was to get involved civically, which initially entailed joining the North Brunswick Democratic Social Club. She went on to become a Democratic Committeewoman (a position she still holds today). Later, she was appointed to the Township Planning Board. In 2009 she won a seat on the North Brunswick Town Council. She subsequently won re-election to the Council in 2012 and then again in 2015.

In 2015, she was appointed by the Middlesex County Democratic Chairman to serve as Parliamentarian of the County Democratic Organization where she presided over and chaired the County Committee Meetings. In October 2016, Ms. Narra was appointed by the County Committee to fill a vacancy on the Board of Chosen Freeholders. With that appointment, Ms. Narra became New Jersey's first South Asian Freeholder. In November 2017, she successfully won a one-year term. Then in November of 2018, she won a full three-year term.

Ms. Narra also serves as a Board Member of Jewish Family Services, the Puerto Rican Action Board, The North Brunswick Friends of the Library Board and is one of the founders and current Advisory Board Members of Inspiring Asian American Women (ISAAW) - a group dedicated to increasing the participation of this demographic in civic engagement. Ms. Narra is a member of the North Brunswick Township Community Emergency Response Team (CERT).



New articulated bus

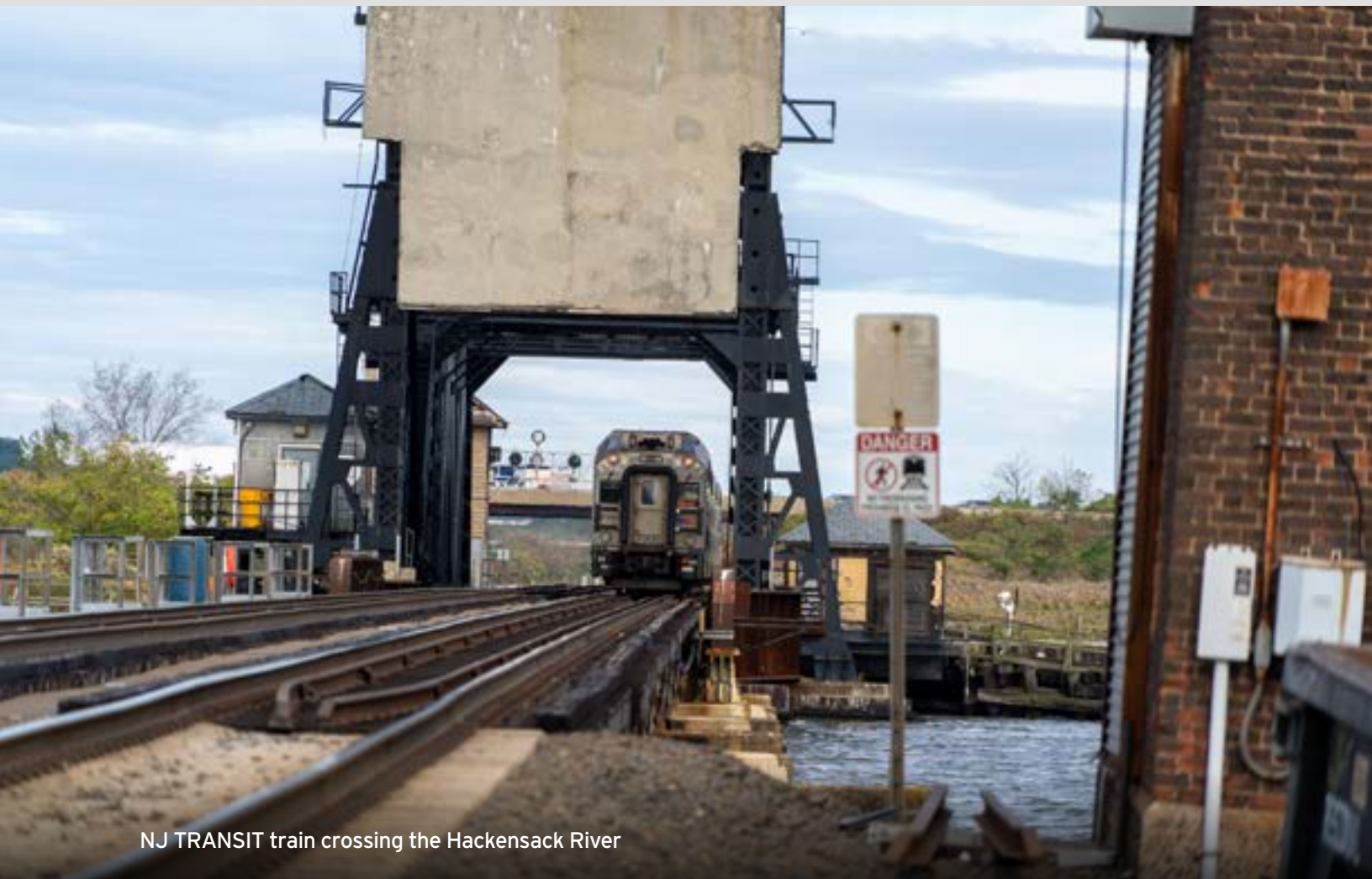


DAVID A. RASMUSSEN

David A. Rasmussen was appointed to the NJ TRANSIT Board of Directors in January 2020. He currently holds positions as both Legislative Representative and Delegate for SMART-TD Local 60. With over 30 years of experience as a certified

Conductor, he is qualified on all NJ TRANSIT Newark Division lines.

David holds a Certificate in Outstanding Service SMART-TD First Transportation Division Convention, a Certificate of Achievement 25 Years of Dedicated Service to NJ TRANSIT, a Certificate of Outstanding Service, U.T.U., 11th Quadrennial Convention, and a National Mediation Board Certificate of Training - Interest-Based Bargaining. He is qualified in P.A.T.R.I.O.T. Training - the understanding of new and proactive strategies for the post 9/11 era, and he was recognized as a standout in NJ TRANSIT's Star Program for Outstanding Customer Service.



NJ TRANSIT train crossing the Hackensack River

Advisory COMMITTEES

To assure citizen representation, two transit advisory committees – one serving North Jersey and another South Jersey – regularly advise the Board of Directors on customers’ opinions. Committee members are appointed by the Governor with the approval of the State Senate.

NORTH JERSEY PASSENGER ADVISORY COMMITTEE

Suzanne T. Mack, Chair
Ronald Monaco, Vice Chair
Nino Coviello
Michael DeCicco
Kathy Edmond
Margaret Harden
Steven Monetti
Timothy O’Reilly

SOUTH JERSEY PASSENGER ADVISORY COMMITTEE

Anna Marie Gonnella-Rosato, Chair
Ruth Byard, Vice Chair
Robert Dazlich, Secretary
Richard D. Gaughan
Daniel Kelly
Jeffrey Marinoff
James Constantine

The Local Programs Citizens Advisory Committee advises NJ TRANSIT on public transit decisions regarding accessibility issues.

LOCAL PROGRAMS CITIZENS ADVISORY COMMITTEE

Basil Giletto, Chair	Tony Hall
Philip Harrison, 1st Vice Chair	Gary Johnson
Linda Washington, 2nd Vice Chair	Louise Layton
John Adair	Maryann Mason
David Peter Alan	John McGill
Jim Blaze	Linda Melendez
Robert Dazlich	Gloria Mills
Steven Fittante	Stephen Thorpe
Sally Jane Gellert	Michael Vieira

The Private Carrier Advisory Committee was created in 1986 to monitor the concerns of New Jersey’s private bus carriers.

PRIVATE CARRIER ADVISORY COMMITTEE

Francis A. Tedesco, Chair
Jonathan DeCamp
Donald Mazzarisi
Scott Sprengel

Executive MANAGEMENT TEAM

Eric Daleo

Sr. Vice President, Capital Programs

Justin Davis

Sr. Vice President, Regulatory and
Government Affairs & Chief of Staff

Jignasa Desai-McCleary

Chief of Procurement

Naeem Din

Chief, EEO/AA

Lookman Fazal

Chief Information & Digital Officer

Anthony Grieco

Sr. Vice President, Communications
& Customer Experience

Christopher Iu

Acting Chief Compliance Officer

Michael Kilcoyne

Sr. Vice President, Surface Transit
& General Manager Bus Operations

Jeannie Kwon

Sr. Vice President, Chief Administrative Officer

Brian Lapp

Sr. Vice President, Chief Safety Officer

Ron Nichols

Chief, Light Rail & Contract Services

John O'Hern

Auditor General

Leotis Sanders

Chief, Civil Rights & Diversity Programs

James Sincaglia

Acting Sr. Vice President/General Manager,
Rail Operations

Christopher Trucillo

Sr. Vice President, Chief of Police & Office
of Emergency Management

Caroline Vachier

Section Chief, Deputy Attorney General

Jeanne Victor

Chief of Human Resources

William Viqueira

Sr. Vice President,
Chief Financial Officer & Treasurer

Paul Wyckoff

Chief, Government & External Affairs

Joyce Zuczek

Board Secretary & OPRA Officer



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Newark, New Jersey 07105-2246
NJTRANSIT.com



NJ TRANSIT
ANNUAL
FINANCIAL REPORT

For the Fiscal Years
ended 2020 and 2019



Philip D. Murphy, Governor
Sheila Y. Oliver, Lieutenant Governor
Diane Gutierrez-Scaccetti, Commissioner
Kevin S. Corbett, President & CEO

NJ TRANSIT
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Newark, NJ 07105-2246
973-491-7000

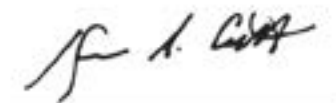
REPORT OF MANAGEMENT

The Consolidated Financial Statements of New Jersey Transit Corporation (the Corporation), for the fiscal year ended June 30, 2020, have been audited by Deloitte & Touche LLP, an independent accounting firm, as stated in their report appearing herein. The auditor's unmodified opinion, dated October 27, 2020, is presented on pages 1-2 of the 2020 consolidated financial statements.

Management of New Jersey Transit Corporation is responsible for both the accuracy of the financial data and completeness and fairness of its presentation, including all disclosures. Management is also responsible for establishing and maintaining adequate internal control over financial reporting of the Corporation. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Additionally, New Jersey Transit Corporation has an internal audit department that performs various audits throughout the year. This department reports to the Audit Committee of the Board of Directors.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective internal control system can provide only reasonable assurance that its goals are achieved.

We certify that, to the best of our knowledge, during the fiscal year 2020, New Jersey Transit Corporation has followed all of the Corporation's standards, procedures and internal controls, the financial information included herein is accurate, and that such information fairly presents the financial condition and operational results of the Corporation as of June 30, 2020 and for the year then ended.



Kevin S. Corbett
President & CEO



William Viqueira
SVP, Chief Financial Officer & Treasurer

October 27, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of
New Jersey Transit Corporation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of New Jersey Transit Corporation (the "Corporation"), a component unit of the State of New Jersey, which comprise the consolidated statements of net position as of June 30, 2020 and 2019, and the related consolidated statements of revenues, expenses and changes in net position and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements, which collectively comprise the Corporation's consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Corporation'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated net position of the Corporation as of June 30, 2020 and 2019, and the respective changes in consolidated net position and consolidated cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As described in Note 1 to the consolidated financial statements, the Corporation is a component unit of the State of New Jersey. The Corporation requires significant subsidies from, and has material transactions with, the State of New Jersey, including the State of New Jersey's Transportation Trust Fund, and the United States Federal Government. Our opinion is not modified with respect to this matter.

As discussed in Note 19 to the consolidated financial statements, the novel coronavirus (COVID-19) outbreak has resulted in a significant decline in ridership. The decline in ridership has caused a material impact on NJ TRANSIT's results of operations, financial position, and cash flows in fiscal 2020 and fiscal 2021. In response to the adverse conditions, NJ TRANSIT has secured funding under the "Coronavirus Aid, Relief and Economic Security Act" or "CARES Act". Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 3-15 and 66-80 as listed in the table of contents, be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated 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 our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated 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.

A handwritten signature in black ink that reads "Deloitte & Touche LLP".

October 27, 2020

This section of New Jersey Transit Corporation's (NJ TRANSIT) annual financial report presents a narrative overview and analysis of the financial position and changes in financial position of NJ TRANSIT as of and for the fiscal years ended June 30, 2020 and 2019. This discussion and analysis are designed to assist the reader in focusing on the significant financial activities of NJ TRANSIT and to identify any significant changes in financial position and performance. NJ TRANSIT encourages readers to consider the information presented in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to NJ TRANSIT's consolidated financial statements and the notes thereto. Since NJ TRANSIT comprises a single enterprise fund, no fund-level financial statements are presented.

NJ TRANSIT's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to government units.

The consolidated financial statements provide both long-term and short-term information about NJ TRANSIT's overall financial status. The consolidated financial statements also include footnotes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

The **Consolidated Statements of Net Position** reports NJ TRANSIT's net position and the changes thereto. Net position, defined as the difference between NJ TRANSIT's assets, deferred outflows or inflows of resources and liabilities, may serve as a useful indicator of NJ TRANSIT's financial position over time.

The **Consolidated Statements of Revenues, Expenses and Changes in Net Position** shows NJ TRANSIT's operating results and how its net position changed during the fiscal year. All revenues, expenses and changes in net position are reported on the *accrual basis* of accounting, which reports the event as it occurs, rather than when cash changes hands.

The **Consolidated Statements of Cash Flows** reports how NJ TRANSIT's cash and cash equivalents increased or decreased during the year. The statements show how

cash and cash equivalents were provided by and used in NJ TRANSIT's operating, non-capital financing, capital and related financing, and investing activities. The net increase or decrease in NJ TRANSIT's cash and cash equivalents is added to or subtracted from the balance at the beginning of the year to arrive at the cash and cash equivalents balance at the end of the year.

The **Notes to the Financial Statements** are an integral part of the financial statements and provide information that is essential to a full understanding of the statements.

The **Required Supplementary Information** presents the information regarding NJ TRANSIT's progress in funding its obligation to provide pension and post-employment benefits other than pensions to its employees, changes in total OPEB and pension liabilities and actuarially determined contributions for the single-employer plans, the proportionate share of the total OPEB and net pension liabilities for the multiple-employer cost-sharing plans and the contractually required contributions for the multiple-employer cost-sharing plans.

FINANCIAL HIGHLIGHTS – FISCAL YEAR 2020

Total operating revenues for NJ TRANSIT were \$818.4 million in fiscal year 2020, a decrease of \$241.1 million, or 22.8 percent compared to the prior fiscal year. Passenger revenue decreased by \$235.8 million, or 24.1 percent. Other operating revenues, net, decreased by \$5.3 million, or 6.5 percent.

Total operating expenses before depreciation and other expenses were \$2,527.0 million in fiscal year 2020, an increase of \$134.5 million or 5.6 percent, from the prior fiscal year. Additional details are presented beginning on page 7.

Total net position at June 30, 2020 was \$3,516.0 million, an increase of \$58.8 million, or 1.7 percent from the net position at June 30, 2019.

Total capital assets (net of accumulated depreciation) were \$6,218.5 million at June 30, 2020, a net decrease of \$7.7 million, essentially at same level from the previous fiscal year. This is a result of depreciation outpacing the overall increase in assets, as well as an increase in asset disposals.

NJ TRANSIT has reported the fair value of the fuel commodity swaps in the amount of \$22.9 million at June 30, 2020, an increase of \$14.4 million, or 169.4 percent from the prior fiscal year, as a result of new swap contracts. The "Swaps" are all presented as a "Derivative Instrument Asset" and a corresponding "Deferred Inflow of Resources; Commodity Swap" in the Consolidated Statement of Net Position (See Note 18).

FINANCIAL HIGHLIGHTS – FISCAL YEAR 2019

Total operating revenues for NJ TRANSIT were \$1,059.5 million in fiscal year 2019, an increase of \$3.2 million, or 0.3 percent compared to the prior fiscal year. Passenger revenue increased by \$5.6 million, or 0.6 percent. Other operating revenues, net, decreased by \$2.4 million, or 2.9 percent.

Total operating expenses before depreciation and other expenses were \$2,392.5 million in fiscal year 2019, an increase of \$77.0 million or 3.3 percent, from the prior fiscal year. Additional details are presented beginning on page 7.

Total net position at June 30, 2019 was \$3,457.2 million, a decrease of \$120.5 million, or 3.4 percent from the net position at June 30, 2018 (as restated).

Total capital assets (net of accumulated depreciation) were \$6,226.2 million at June 30, 2019, a net decrease of \$2.7 million, essentially at same level from the previous fiscal year. This is a result of depreciation outpacing the overall increase in assets, as well as an increase in asset disposals.

NJ TRANSIT has reported the fair value of the fuel commodity swaps in the amount of \$8.5 million at June 30, 2019, a decrease of \$30.0 million, or 78.0 percent from the prior fiscal year, as a result of maturity of fuel swap contracts. The "Swaps" are all presented as a "Derivative Instrument Asset" and a corresponding "Deferred Inflow of Resources; Commodity Swap" in the Consolidated Statement of Net Position (See Note 18). During the year, the majority of derivatives matured.

FINANCIAL ANALYSIS

NET POSITION

NJ TRANSIT's total net position at June 30, 2020, was \$3,516.0 million, an increase of \$58.8 million, or 1.7 percent (Table A-1). Total assets increased by \$558.4 million, or 7.8 percent, and deferred outflows of resources from unamortized debt refunding and items related to pensions and Other Post-Employment Benefits increased by \$248.3 million, or 77.5 percent. Total liabilities increased \$741.9 million, or 19.1 percent.

NJ TRANSIT's total net position at June 30, 2019, was \$3,457.2 million, a decrease of \$120.5 million, or 3.4 percent, from June 30, 2018 (as restated) (Table A-1). Total assets decreased by \$342.6 million, or 4.6 percent, and deferred outflows of resources from unamortized debt refunding and items related to pensions and Other Post-Employment Benefits increased by \$23.0 million, or 7.7 percent. Total liabilities decreased \$182.2 million, or 4.5 percent.

TABLE A-1
NJ TRANSIT NET POSITION (\$ in millions)

	AS OF JUNE 30,			% INC/(DEC)	
	2020	2019	2018	2020/2019	2019/2018
Current assets	\$649.8	\$591.1	\$863.6	9.9	(31.6)
Restricted non-current assets	835.2	330.4	386.1	152.8	(14.4)
Capital assets, net	6,218.5	6,226.2	6,228.9	(0.1)	—
Other assets	5.3	2.7	14.4	96.3	(81.3)
TOTAL ASSETS	\$7,708.8	\$7,150.4	\$7,493.0	7.8	(4.6)
Deferred outflows related to refunding of debt	19.7	24.5	31.1	(19.6)	(21.2)
Deferred outflows related to OPEB	335.1	91.2	—	267.4	—
Deferred outflows related to pensions	213.8	204.6	266.2	4.5	(23.1)
TOTAL DEFERRED OUTFLOWS OF RESOURCES	568.6	320.3	297.3	77.5	7.7
Current liabilities	522.7	659.0	929.3	(20.7)	(29.1)
Notes payable	1,161.1	721.8	852.1	60.9	(15.3)
Net pension liability	753.1	684.6	728.2	10.0	(6.0)
Total OPEB obligation	1,638.0	1,296.6	1,098.5	26.3	18.0
Obligations under capital leases	199.8	212.0	227.1	(5.8)	(6.6)
Unearned revenue and other non-current liabilities	355.4	314.2	235.2	13.1	33.6
TOTAL LIABILITIES	4,630.1	3,888.2	4,070.4	19.1	(4.5)
Deferred inflows related to pensions	77.7	78.4	62.3	(0.9)	25.8
Deferred inflows related to derivative instrument liability	22.9	8.5	38.5	169.4	(77.9)
Deferred inflows related to total OPEB liability	30.7	38.4	41.3	(20.1)	(7.0)
TOTAL DEFERRED INFLOWS OF RESOURCES	131.3	125.3	142.1	4.8	(11.8)
Net investment in capital assets	5,545.2	5,376.5	5,305.1	3.1	1.3
Restricted for capital projects	—	0.2	2.4	(100.0)	(91.7)
Restricted for claims	31.9	27.4	—	16.4	—
Unrestricted (deficit)	(2,061.1)	(1,946.9)	(1,729.8)	5.9	12.6
TOTAL NET POSITION	\$3,516.0	\$3,457.2	\$3,577.7	1.7	(3.4)

FISCAL YEAR 2020

The 9.9 percent increase in current assets in fiscal year 2020 is primarily due to an increase in Federal and State grant receivables. Fuel commodity swaps presented as a derivative instrument asset increased by \$11.7 million or 141.4 percent as a result of increased swap contracts, which have been reported as a current asset. Restricted non-current assets increased 152.8 percent as a result of deposits received for new NJEDA 2020A debt issuance, offset by the payments made for capital leases, including leveraged leases. Of the \$6,218.5 million in capital assets, net, \$1,383.3 million represents construction in progress; \$4,383.8 million represents NJ TRANSIT's investment in buildings, structures, track, equipment, locomotives, railcars and buses, net of depreciation; and \$451.4 million represents land and other capital assets.

The 19.6 percent decrease in deferred outflows of resources – refunding of debt was due to the amortization of the deferred loss on refunding associated with the New Jersey Economic Development Authority Transportation Project Sublease Revenue and Revenue Refunding Bonds that were issued in 2017.

The 4.5 percent increase in deferred outflows of resources related to pensions was due to an increase in the net difference between projected and actual earnings on pension plan investments and changes in actuarial assumptions.

The \$335.1 million was recorded in FY20 as deferred outflows of resources related to liability for other post-employment benefits, which was mainly due to changes in actuarial assumptions.

The 20.7 percent decrease in current liabilities was mainly due to decreases in vendor payables and the advance payment from the State of New Jersey for preventive maintenance.

The 60.9 percent increase in notes payable was due to new issuance of NJEDA 2020A in the amount of \$500 million, offset by payments made during the fiscal year for current obligations.

The 5.8 percent decrease in non-current obligations under capital leases was a result of amortization of current lease obligations.

The 10.0 percent increase in the net pension liability was mainly related to a decreased return on plan assets due to unfavorable market conditions during the year and a change in benefit terms, as well as additional unfunded pension obligations.

The 26.3 percent increase in the OPEB liability was a result of economic and demographic gains or losses, as well as changes in assumption based on the current actuarial valuations. One of the contributing factors to the increased OPEB Liability was the significant reduction in the discount rate from 3.51% to 2.21%. This substantial change in the interest rates used as yields have substantially fallen due to actions taken by the Federal Reserve in response to the COVID-19 pandemic.

FISCAL YEAR 2019

The 31.6 percent decrease in current assets in fiscal year 2019 is primarily due to a decrease in Federal and State grant receivables. Fuel commodity swaps presented as a derivative instrument asset decreased by \$15.8 million or 65.6 percent as a result of increased fuel prices and expiration of swaps, which have been reported as a current asset. Restricted non-current assets decreased 14.4 percent as a result of payments for the acquisition of rolling stock and assets relating to service improvements and expansion, as well as the payments made for capital leases, including leveraged leases. Of the \$6,226.2 million in capital assets, net, \$1,221.2 million represents construction in progress; \$4,594.9 million represents NJ TRANSIT's investment in buildings, structures, track, equipment, locomotives, railcars and buses, net of depreciation; and \$410.1 million represents land and other capital assets.

The 21.2 percent decrease in deferred outflows of resources – refunding of debt was due to the amortization of the deferred loss on refunding associated with the New Jersey Economic Development Authority Transportation Project Sublease Revenue and Revenue Refunding Bonds that were issued in 2017.

The 23.1 percent decrease in deferred outflows of resources related to pensions was due to a decrease in the net difference between projected and actual earnings on pension plan investments and changes in actuarial assumptions.

The \$91.2 million was recorded in FY19 as deferred outflows of resources related to liability for Other Post-employment Benefits, which was due to changes in actuarial assumptions.

The 29.1 percent decrease in current liabilities was mainly due to decreases in vendor payables and the advance payment from the State of New Jersey for preventive maintenance.

The 15.3 percent decrease in Notes payable was a result of payments made during the fiscal year for current obligations.

The 6.6 percent decrease in non-current obligations under capital leases was a result of amortization of current lease obligations.

The 6.0 percent reduction in the net pension liability was a result of an increased return on plan assets due to favorable market conditions during the year.

The 18.0 percent increase in the OPEB liability was a result of an increased cost due to changes of assumptions and other inputs and the results of the prior year restatement.

NJ TRANSIT accounts for its OPEB obligation in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* ("GASB 75"). GASB 75 was adopted as of July 1, 2017, the beginning of NJ TRANSIT's 2018 fiscal year. The previously reported GASB 75 obligation did not factor in the estimated impact of the 40% excise tax in the Affordable Care Act that pertains to health insurance plans that cost more than a specified limit. As a result, Beginning Net Position has been reduced by \$54.1 million (unaudited), opening OPEB liability has been increased by \$49.4 million (unaudited), and beginning deferred inflows related to OPEB has been increased by \$4.7 million (unaudited) to record the impact of this excise tax in the OPEB liability.

The 33.6 percent increase in the unearned revenue and other non-current liabilities was mainly due to additional environmental cost and the restatement of injury and damage claim liability.

CHANGES IN NET POSITION

Changes in net position reflect the current year's results of operations combined with non-operating revenue and expenses, and capital contributions. The increase in net position in fiscal year 2020 was \$58.8 million (Table A-2). While there are many contributing factors, this was primarily

MANAGEMENT'S DISCUSSION AND ANALYSIS

attributed to additional reimbursements received from CARES Act Grant, partially offset by revenue losses as a result of the dramatic shift in travel and work patterns during the COVID-19 Pandemic.

The decrease in net position in fiscal year 2019 was \$120.5 million. While there are many contributing factors, this was primarily the result of recording the prior period adjustments related to OPEB liability and Claims liability.

TABLE A-2
CHANGES IN NJ TRANSIT NET POSITION (*\$ in millions*)

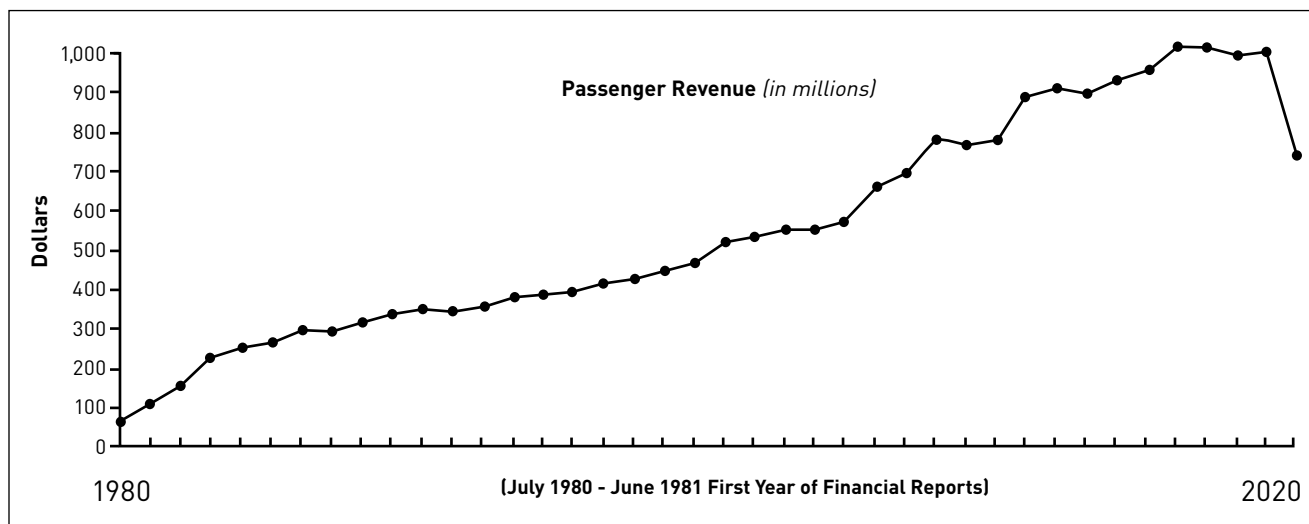
	YEARS ENDED JUNE 30			% INC/(DEC)	
	2020	2019	2018	2020/2019	2019/2018
Operating Revenues					
Passenger fares	\$742.4	\$978.2	\$972.6	(24.1)	0.6
Other, net	76.0	81.3	83.7	(6.5)	(2.9)
Total Operating Revenues	818.4	1,059.5	1,056.3	(22.8)	0.3
Operating Expenses					
Total operating expenses before depreciation and other expenses	2,527.0	2,392.5	2,315.5	5.6	3.3
Depreciation	513.1	498.4	498.9	2.9	(0.1)
Total Operating Expenses	3,040.1	2,890.9	2,814.4	5.2	2.7
Operating Loss	(2,221.7)	(1,831.4)	(1,758.1)	21.3	4.2
Non-operating revenues, net	1,730.0	1,249.5	1,208.9	38.5	3.4
Capital contributions, net	550.5	604.2	481.6	(8.9)	25.5
Change in Net Position	58.8	22.3	(67.6)	163.7	(132.9)
Total Net Position, Beginning, as Previously Reported					
	3,457.2	3,577.7	4,212.6	(3.4)	(15.1)
Cumulative Effect of Accounting Change	—	—	(567.3)	—	100.0
Prior Period Adjustments**	—	(142.8)	—	(100.0)	(100.0)
Total Net Position, Beginning, as Restated	3,457.2	3,434.9	3,645.3	0.6	(5.8)
Total Net Position, Ending	\$3,516.0	\$3,457.2	\$3,577.7	1.7	(3.4)

OPERATING REVENUES

Operating revenues are comprised of passenger fares and other operating revenues, net of a bad debt allowance.

PASSENGER FARE REVENUES

Passenger fare revenue consists of fares earned during the year from the sale of tickets, monthly passes and bus fare box receipts.



Total passenger revenue for fiscal year 2020 decreased \$235.8 million or 24.1 percent. This decrease can be attributed to ridership losses as a result of State Executive Order No. 104 on March 16, 2020, implementing aggressive social distancing measures by closing institutions, recreational, entertainment and non-essential retail business to mitigate further spread of COVID-19 pandemic and similar actions taken in the State of New York and Commonwealth of Pennsylvania. Rail passenger revenue for fiscal year 2020 decreased by \$139.9 million or 24.7 percent, with ridership decreasing 22.6 million passenger trips, or 25.7 percent. Bus passenger revenue decreased by \$89.2 million or 23.2 percent, with ridership decreasing by 30.7 million passenger trips, or 20.3 percent. Passenger revenues for Light Rail, which includes Newark Light Rail, Hudson-Bergen Light Rail and River LINE revenues, decreased by \$5.7 million, or 24.6 percent, with ridership decreasing 5.5 million passenger trips, or 22.8 percent.

TABLE A-3
PASSENGER REVENUE (*\$ in millions*)

	YEARS ENDED JUNE 30,			% INC/(DEC)	
	2020	2019	2018	2020/2019	2019/2018
Rail Operations	\$426.6	\$566.5	\$561.4	(24.7)	0.9
Bus Operations	294.8	384.0	384.1	(23.2)	—
Light Rail Operations	17.5	23.2	22.6	(24.6)	2.7
Special Transit Fares	3.5	4.5	4.5	(22.2)	—
Total	<u>\$742.4</u>	<u>\$978.2</u>	<u>\$972.6</u>	(24.1)	0.6

TABLE A-3a
RIDERSHIP (*in millions*)

	YEARS ENDED JUNE 30,			% INC/(DEC)	
	2020	2019	2018	2020/2019	2019/2018
Rail Lines					
Newark Division	39.4	53.7	52.7	(26.6)	1.9
Hoboken Division	25.4	33.8	32.0	(24.9)	5.6
Atlantic City	0.5	0.4	0.7	25.0	(42.9)
Total Rail Lines	<u>65.3</u>	<u>87.9</u>	<u>85.4</u>	(25.7)	2.9
Bus Lines					
Northern Division	55.7	70.5	69.9	(21.0)	0.9
Central Division	49.9	62.3	63.0	(19.9)	(1.1)
Southern Division	14.7	18.2	18.6	(19.2)	(2.2)
Total Bus Lines	<u>120.3</u>	<u>151.0</u>	<u>151.5</u>	(20.3)	(0.3)
Light Rail Lines					
Newark Light Rail	4.5	5.4	5.5	(16.7)	(1.8)
Hudson-Bergen Light Rail	12.0	16.0	15.5	(25.0)	3.2
River LINE	2.1	2.7	2.7	(22.2)	—
Total Light Rail Lines	<u>18.6</u>	<u>24.1</u>	<u>23.7</u>	(22.8)	1.7
Total Ridership	<u>204.2</u>	<u>263.0</u>	<u>260.6</u>	(22.4)	0.9

FISCAL YEAR 2020

OTHER OPERATING REVENUES

Other operating revenues, net of the allowance for bad debt, consist of contracted service revenues, rental income, station and vehicle advertising, facility leases, parking lot operations and revenue received from operating service on behalf of Metro-North. There was a decrease in other operating revenues of \$5.3 million, or 6.5 percent primarily as a result of reduced advertising revenue, parking and rental revenues due to COVID-19.

OPERATING EXPENSES

Operating expenses consist of employment costs, outside services, materials and supplies, depreciation and other operating costs. NJ TRANSIT continues to upgrade facilities damaged in Superstorm Sandy. These upgrades are part of NJ TRANSIT's Resilience Program, which is designed to make the transportation system stronger, more durable, and more reliable. The largest expense component related to storm repairs was for outside services, specifically repairs to rail infrastructure and project oversight costs. These costs are reported in the natural operating expense accounts in the Statements of Revenue, Expenses, and Changes in Net Position.

EMPLOYMENT COSTS

Employment costs consisting of labor and related fringe benefit expenses represent 59.6 percent of NJ TRANSIT's total operating costs. These costs include full-time and part-time agreement employees' regular wages and related overtime costs, non-agreement salaries, employment taxes, health and welfare expenses, retirement costs and other fringe benefits.

During fiscal year 2020, labor costs increased by \$37.9 million, or 5.1 percent, and fringe benefits increased \$46.0 million, or 6.8 percent from fiscal year 2019. The increase in labor costs were primarily due to reductions in vacant positions and increases in agreement wages as a result of contract increases. Fringe benefits also increased as a result of increased costs for defined benefit pension plans and other post-employment benefit plans due to changes in actuarial assumptions based on new valuations. These increases have been partially offset by savings due to health benefit reforms.

OTHER OPERATING COSTS

Other operating costs include parts, materials and supplies, outside services, claims and insurance, fuel and propulsion, trackage, tolls and fees, utilities, purchased transportation and other expenses.

Parts and materials decreased by \$17.2 million or 8.7 percent due to one-time costs adjustment made in the prior year.

Cost of services increased by \$18.8 million or 11.3 percent due to increased costs for reimbursable projects and program costs.

Claims and insurance expense increased by \$40.5 million or 46.2 percent. A significant portion of the increase was due to increases in claim reserve due to legislation change on Employee Protection Act.

Purchased transportation decreased by \$2.6 million or 1.0 percent resulting from slightly decreased costs due to COVID-19 reduction in services, particularly demand for Access Link Service.

NON-OPERATING REVENUES (EXPENSES)

Non-operating revenues increased by \$480.5 million, or 38.5 percent, primarily attributable to Federal CARES Act reimbursements for eligible operating expenses due to COVID-19.

CAPITAL CONTRIBUTIONS, NET

NJ TRANSIT receives federal, state and local grants for essentially all of its capital construction and acquisitions. Funding of capital grant expenditures totaling \$550.5 million was \$53.7 million, or 8.9 percent, below fiscal year 2019, as a result of disruption of capital projects following safety procedures to work from home when the pandemic began.

Major capital projects during the year included the acquisition and rehabilitation of revenue vehicles, including railcars, buses, vans and light railcars, construction of and improvements to passenger and support facilities, and rail, bus and light rail infrastructure.

FISCAL YEAR 2019

OTHER OPERATING REVENUES

Other operating revenues, net of the allowance for bad debt, consist of contracted service revenues, rental income, station and vehicle advertising, facility leases, parking lot operations and revenue received from operating service on behalf of Metro-North. There was a decrease in other operating revenues of \$2.4 million, or 2.9 percent due to decrease in revenue for sales of fixed assets.

OPERATING EXPENSES

Operating expenses consist of employment costs, outside services, materials and supplies, depreciation and other operating costs. NJ TRANSIT continues to upgrade facilities damaged in Superstorm Sandy. These upgrades are part of NJ TRANSIT's Resilience Program that is designed to make the transportation system stronger, more durable, and more reliable. The

largest expense component related to storm repairs was for outside services, specifically repairs to rail infrastructure and project oversight costs. These costs are reported in the natural operating expense accounts in the Statements of Revenue, Expenses, and Changes in Net Position.

EMPLOYMENT COSTS

Employment costs consisting of labor and related fringe benefit expenses represent 60.0 percent of NJ TRANSIT's total operating costs. These costs include full-time and part-time agreement employees' regular and related overtime costs, non-agreement salaries, employment taxes, health and welfare expenses, retirement costs and other fringe benefits.

During fiscal year 2019, labor costs increased by \$26.4 million, or 3.7 percent, and fringe benefits increased \$12.3 million, or 1.9 percent from fiscal year 2018, primarily due to increases in agreement wages based on new contract terms and non-agreement wages as a result of reduction of vacant positions.

OTHER OPERATING COSTS

Other operating costs include parts, materials and supplies, outside services, claims and insurance, fuel and propulsion, trackage, tolls and fees, utilities, purchased transportation and other expenses.

Parts and materials increased by \$25.0 million or 14.5 percent due to an increase in revenue vehicle materials used for repair and maintenance.

Cost of services increased by \$0.9 million or 0.6 percent due to increased costs for reimbursable projects and program costs.

Claims and insurance expense increased by \$0.5 million or 0.6 percent. A significant portion of the increase was due to increases in claim costs for employee injury.

Purchased transportation increased by \$1.0 million or 0.4 percent resulting from slightly increased costs for the Senior Citizen/Rural Transportation program, which is operated by the counties and municipalities and reimbursed by State Casino Revenue funds.

NON-OPERATING REVENUES (EXPENSES)

Non-operating revenues increased by \$40.6 million, or 3.4 percent, primarily attributable to an increase in State appropriation.

CAPITAL CONTRIBUTIONS, NET

NJ TRANSIT receives federal, state and local grants for essentially all of its capital construction and acquisitions. Funding of capital grant expenditures totaling \$604.2 million was \$122.6 million, or 25.5 percent, above fiscal year 2018.

Major capital projects during the year included the acquisition and rehabilitation of revenue vehicles, including railcars, buses, vans and light railcars, construction of and improvements to passenger and support facilities, and rail, bus and light rail infrastructure.

TABLE A-4
NJ TRANSIT CAPITAL ASSETS *(net of accumulated depreciation)*
(\$ in millions)

	YEAR ENDED JUNE 30,			% INC/(DEC)	
	2020	2019	2018	2020/2019	2019/2018
Capital projects in process	\$1,383.3	\$1,221.2	\$880.7	13.3	38.7
Revenue vehicles	1,677.2	1,749.6	1,827.1	(4.1)	(4.2)
Buildings and structures	1,845.6	1,929.3	2,117.5	(4.3)	(8.9)
Track	780.6	821.8	879.7	(5.0)	(6.6)
Land	437.2	395.9	396.3	10.4	(0.1)
Furniture, fixtures and equipment	80.4	94.2	113.4	(14.6)	(17.1)
Operating rights	14.2	14.2	14.2	—	—
Total Capital Assets, Net	\$6,218.5	\$6,226.2	\$6,228.9	(0.1)	—

CAPITAL ASSETS

As of June 30, 2020, NJ TRANSIT had invested \$16,082.0 million in capital assets. Net of accumulated depreciation, NJ TRANSIT's net capital assets at June 30, 2020 totaled \$6,218.5 million (Table A-4). This amount represents a net decrease of \$7.7 million, or 0.1 percent, below June 30, 2019 net capital assets.

As of June 30, 2019, NJ TRANSIT had invested \$15,641.5 million in capital assets. Net of accumulated depreciation, NJ TRANSIT's net capital assets at June 30, 2019 totaled \$6,226.2 million (Table A-4). This amount represents a net decrease of \$2.7 million, or 0.0 percent, essentially the same level compared to June 30, 2018 net capital assets.

In Fiscal Year 2020, NJ TRANSIT's Board of Directors approved a \$1.42 billion capital program that supports continued investment in the State's transit infrastructure to maintain a state of good repair and provide reliable transit service. The program funds continued state-of-good-repair investments in transit rail and bus infrastructure, investments in Northeast Corridor (NEC) for both infrastructure and station modernization, safety initiatives, rail and bus rolling stock, and system expansion including the ongoing effort to reduce the spread of COVID-19.

Looking forward to fiscal year 2021, NJ TRANSIT's Board of Directors approved a \$1.43 billion capital program that calls for continued investment in the State's transit rail rolling stock, infrastructure, and expansion, as well as bus rolling stock and infrastructure. The program funds continue state-of-good-repair investments in transit rail and bus infrastructure, investments in Northeast Corridor (NEC) for both infrastructure and station modernization, safety initiatives, and system expansion. In June 2020, NJ TRANSIT released a 5-year Capital Plan which contains an unconstrained vision for NJ TRANSIT. This plan identifies, prioritizes, and implements a program of investments in order to achieve NJ TRANSIT's 10-year strategic plan (NJT2030) goals of (1) Ensure the reliability and continued safety of our transit system; (2) Deliver a high-quality experience for all our customers, with their entire journey in mind; (3) Power a stronger and fairer New Jersey for all communities in the region; (4) Promote a more sustainable future for our planet; (5) Build an accountable, innovative, and inclusive organization that delivers for New Jersey. The Plan requires \$5.78 billion in additional funding over the next five years to implements the projects and other initiatives contemplated in the Plan.

Additional information about NJ TRANSIT's capital assets is presented in Note 5 to the financial statements.

DEBT OBLIGATIONS

Debt obligations outstanding at June 30, 2020, totaled \$1,500.1 million compared with \$1,184.7 million at June 30, 2019, an increase of 26.6 percent.

The following table summarizes the changes in debt between fiscal years 2020, 2019 and 2018 (\$ in millions):

	2020	AS OF JUNE 30,		% INC/(DEC)	
		2019	2018	2020/2019	2019/2018
Notes payable	\$1,288.1	\$842.6	\$966.1	52.9	(12.8)
Obligations under capital leases*	212.0	227.1	280.7	(6.6)	(19.1)
Revolving line of credit**	—	115.0	75.0	(100.0)	53.3
Total	<u>\$1,500.1</u>	<u>\$1,184.7</u>	<u>\$1,321.8</u>	26.6	(10.4)

*Includes \$212.0 million and \$227.1 million of leveraged lease transactions as of June 30, 2020 and 2019, respectively.

**NJ TRANSIT entered into a Revolving Credit Agreement with the Bank of America for the purposes of obtaining a \$300 million line of credit. As of June 30, 2020, the line of credit has zero balance.

Additional information about NJ TRANSIT's Debt and Leases is presented in Notes 10 and 11 to the financial statements.

ECONOMIC CONDITIONS AND TRENDS

NJ TRANSIT serves several primary market areas including Northern New Jersey, Southern New Jersey, New York City and Philadelphia. Economic conditions and trends in each of these play a major role in the demand for NJ TRANSIT services.

Average monthly employment in the NJ TRANSIT service region declined by 3.3% in FY20. These employment declines were confined to the 4th quarter of the fiscal year (April – June) when the full force of the COVID-19 pandemic swept through the region, 4th quarter average monthly employment was 16.8% lower than the previous fiscal year.

The region has not experienced a decline in employment over a 12-month period since the 2nd quarter of FY11 (October – December 2010). FY20's 3.3% decline in regional employment is the largest percentage loss since FY 1992. Prior to the outset of the pandemic, the region enjoyed robust employment growth with the 12-month average of regional employment peaking in the 3rd quarter (January – March) of FY20 at 9.6 million. By the end of FY20, average monthly regional employment was 315,000 less than in FY19.

The COVID-19 pandemic had different impacts on the local economies in the NJ TRANSIT service area. Average employment for FY20 declined 3.5% in New York City, 1.1% in Philadelphia, and 3.5% in New Jersey. For the 4th quarter of FY20 employment levels fell 18.4% in New York City, 10.3% in Philadelphia and 16.1% in New Jersey. Within the local economies New York lost 161,600 jobs, Philadelphia lost 7,900 jobs and New Jersey shed 145,500 jobs.

IMPACT OF THE COVID-19 PANDEMIC

The unprecedented COVID-19 pandemic has taken a financial toll on NJ TRANSIT's passenger and other commercial revenue. The ridership across the system declined. The declines reached 79% and 98% as of April for Bus and Rail, respectively. Ridership began to recover in May with declines of 72% for Bus and 87% for Rail as of May 2020. At the end of fiscal year 2020, the bus operation started to recover, and the ridership decline was 58% for Bus and 89% for Rail, compared to regular service.

NJ TRANSIT's revenue from ticket sales historically comprises 40% to 45% of the operating budget. In addition to passenger fare revenue losses, other areas of potentially significant revenue exposure have been identified, such as advertising revenue, parking and rental revenue, and the other contract revenues.

To help offset the loss of revenue and increasing costs, NJ TRANSIT management petitioned New Jersey Congressional Delegation for Federal assistance on March 19, 2020. Under Division B, Title XII of the CARES Act, the Federal Transit Administration (FTA) was provided with \$25 billion in "Transit Infrastructure Grants" to prevent, prepare

for and respond to coronavirus. Subsequently, the Federal Transit Administration awarded NJ TRANSIT \$1.4 billion in CARES Act financial assistance on May 15, 2020.

As the COVID-19 pandemic significantly worsened since NJ TRANSIT made the request for CARES Act assistance on March 19, 2020, a much fuller picture has emerged of the breadth and depth of the financial impacts on NJ TRANSIT. The management of NJ TRANSIT along with other transportation agencies are seeking the same support from the Federal government under a second request made on May 12, 2020 for an additional \$1.2 billion.

As of June 30, 2020, NJ TRANSIT has drawn down a total of \$360.8 million for CARES Act reimbursements of eligible costs. The management of NJ TRANSIT continues to pursue potential reimbursement opportunities with FEMA and through an allocation from the Coronavirus Relief Fund (CRF) through the State of New Jersey, as well as other opportunities to support planning, capital and operations.

NJ TRANSIT monitors ridership across its system in order to safely align service to meet returning demand across bus, rail, light-rail and access link during the region's recovery. To inform operational decisions, management have been actively leveraging data, tools, and regional information sources to monitor and identify projected trends in ridership and customer behavior. This comprehensive trend analysis will continue throughout the recovery period to ensure recovery plans will remain flexible, responsive, and data-driven.

As NJ TRANSIT continues its road back from the COVID-19 that upended the state of New Jersey and the world to economic restart and recovery, NJ TRANSIT introduced its first strategic plan in June 2020 that will provide sustained direction to the future of New Jersey's public transportation system. With the issuance of NJT2030: A 10-Year Strategic Plan, NJ TRANSIT has a vision to achieve even higher levels of service through system stability, proper life cycle equipment replacement, and a stronger financial position. The ten-year plan presents the roadmap for supporting growing ridership and changing environment through strategic choices and critical investments.

In addition, NJ TRANSIT's 5-Year Capital Plan identifies the needed projects, budget considerations and an aggressive schedule for dramatically improving the speed, reliability, safety, reach and quality of NJ TRANSIT service.

CONTACTING NJ TRANSIT FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and other interested parties with a general overview of NJ TRANSIT finances and to demonstrate NJ TRANSIT's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact New Jersey Transit Corporation, SVP, Chief Financial Officer & Treasurer, One Penn Plaza East, Newark, New Jersey 07105-2246.

FINANCIAL STATEMENTS

NEW JERSEY TRANSIT CORPORATION CONSOLIDATED STATEMENTS OF NET POSITION *(in thousands)*

	AS OF JUNE 30,	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$122,330	\$75,054
Investments	60,842	57,769
Due from federal government	180,830	187,407
Due from State of New Jersey	53,528	60,364
Material and supplies	150,294	129,136
Derivative instrument asset	20,056	8,307
Other current assets	61,989	73,065
Total Current Assets	<u>649,869</u>	<u>591,102</u>
Non-Current Assets		
Restricted cash and cash equivalents	623,186	103,333
Restricted leveraged lease deposits	212,036	227,073
Capital assets, not being depreciated	1,834,758	1,631,289
Capital assets, net of accumulated depreciation	4,383,695	4,594,930
Derivative instrument asset	2,839	193
Other non-current assets	2,462	2,463
Total Non-Current Assets	<u>7,058,976</u>	<u>6,559,281</u>
Total Assets	<u>7,708,845</u>	<u>7,150,383</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to refunding of debt	19,754	24,462
Deferred outflows related to OPEB	335,091	91,193
Deferred outflows related to pensions	213,812	204,615
Total Deferred Outflows of Resources	<u>568,657</u>	<u>320,270</u>
LIABILITIES		
Current Liabilities		
Accounts payable	192,606	166,417
Accrued payroll and benefits	107,795	134,299
Current installments under capital leases	12,245	15,037
Short-term notes and line-of-credit payable	126,940	235,785
Other current liabilities	83,178	107,465
Total Current Liabilities	<u>522,764</u>	<u>659,003</u>
Non-Current Liabilities		
Notes payable	1,161,137	721,812
Accrued injury and damage claims	282,204	241,116
Obligations under capital leases	199,790	212,036
Net pension liability	753,054	684,638
Other post-employment benefit obligations	1,637,933	1,296,578
Other non-current liabilities	73,227	72,983
Total Non-Current Liabilities	<u>4,107,345</u>	<u>3,229,163</u>
Total Liabilities	<u>4,630,109</u>	<u>3,888,166</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	77,740	78,422
Deferred inflows related to derivative instruments	22,895	8,500
Deferred inflows related to total OPEB liability	30,683	38,354
Total Deferred Inflows of Resources	<u>131,318</u>	<u>125,276</u>
NET POSITION		
Net investment in capital assets	5,545,236	5,376,565
Restricted for capital projects	11	254
Restricted for claims	31,938	27,378
Unrestricted (deficit)	(2,061,110)	(1,946,986)
Total Net Position	<u>\$3,516,075</u>	<u>\$3,457,211</u>

See Notes to Consolidated Financial Statements.

NEW JERSEY TRANSIT CORPORATION
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION *(in thousands)*

	YEAR ENDED JUNE 30,	
	2020	2019
Operating Revenues		
Passenger fares	\$742,365	\$978,234
Other, net	75,994	81,253
Total Operating Revenues	<u>818,359</u>	<u>1,059,487</u>
Operating Expenses		
Labor	786,895	748,916
Fringe benefits	719,618	673,588
Parts, materials and supplies	180,120	197,272
Services	184,131	165,372
Claims and insurance	128,168	87,679
Fuel and propulsion	103,941	97,044
Trackage, tolls and fees	86,930	85,053
Utilities	46,385	44,483
Purchased transportation	243,692	246,251
Other	47,097	46,885
Total Operating Expenses, Before Depreciation	<u>2,526,977</u>	<u>2,392,543</u>
Operating Loss Before Depreciation	<u>(1,708,618)</u>	<u>(1,333,056)</u>
Depreciation	(513,092)	(498,426)
Operating Loss	<u>(2,221,710)</u>	<u>(1,831,482)</u>
Non-Operating Revenues (Expenses)		
State appropriation	457,466	307,466
Federal, state and local reimbursements	1,269,602	943,281
Investment income	5,447	6,277
Other non-operating revenues	25,167	38,914
Interest expense	(27,690)	(46,450)
Total Non-Operating Revenues (Expenses)	<u>1,729,992</u>	<u>1,249,488</u>
Change in Net Position Before Capital Contributions	<u>(491,718)</u>	<u>(581,994)</u>
Capital contributions, net	550,582	604,281
Change in Net Position	<u>58,864</u>	<u>22,287</u>
Total Net Position, Beginning (as Previously Reported)	<u>3,457,211</u>	<u>3,577,727</u>
Prior Period Adjustments	—	(142,803)
Total Net Position, Beginning (as Restated)	<u>3,457,211</u>	<u>3,434,924</u>
Total Net Position, Ending	<u>\$ 3,516,075</u>	<u>\$ 3,457,211</u>

See Notes to Consolidated Financial Statements.

NEW JERSEY TRANSIT CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS *(in thousands)*

	YEAR ENDED JUNE 30,	
	2020	2019
Cash Flows from Operating Activities		
Cash receipts from fares	\$742,721	\$982,198
Other cash receipts	107,536	82,962
Payments for claims	(83,204)	(80,416)
Payments to employees	(1,383,139)	(1,331,046)
Payments to suppliers	(888,431)	(1,100,776)
Net Cash Used in Operating Activities	<u>(1,504,517)</u>	<u>(1,447,078)</u>
Cash Flows from Non-Capital Financing Activities		
Cash receipts from federal, state and local grants and appropriations	1,726,134	1,254,475
Net Cash Provided by Non-Capital Financing Activities	<u>1,726,134</u>	<u>1,254,475</u>
Cash Flows from Capital and Related Financing Activities		
Interest payments	(39,565)	(46,440)
Proceeds received from issuances of note and line of credit	801,816	255,000
Repayment of note and line of credit obligations	(460,785)	(328,960)
Purchase of capital assets	(505,757)	(496,393)
Capital grants	547,430	799,154
Net Cash Provided by Capital and Related Financing Activities	<u>343,139</u>	<u>182,361</u>
Cash Flows from Investing Activities		
Sales and maturities of investments	5,925	10,730
Purchases of investments	(8,650)	(12,361)
Interest on investments	5,098	4,278
Net Cash Provided by Investing Activities	<u>2,373</u>	<u>2,647</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>567,129</u>	<u>(7,595)</u>
Cash and Cash Equivalents (including restricted cash and cash equivalents)		
Beginning of Year	<u>178,387</u>	<u>185,982</u>
End of Year	<u>\$745,516</u>	<u>\$178,387</u>

See Notes to Consolidated Financial Statements.

(Continued)

NEW JERSEY TRANSIT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS *(in thousands)*

	YEAR ENDED JUNE 30,	
	2020	2019
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Cash Flows from Operating Activities		
Operating Loss	\$(2,221,710)	\$(1,831,482)
Adjustment to Reconcile Operating Loss to Net Cash Used in Operating Activities		
Depreciation	513,092	498,426
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:		
Materials and supplies	(21,157)	(6,138)
Other current assets	17,953	(27,099)
Other non-current assets	(253,095)	(29,599)
Accounts payable	32,219	(164,021)
Accrued payroll and benefits	(26,503)	7,641
Other current liabilities	(13,233)	(37,531)
Accrued injury and damage claims	41,088	1,689
Net pension liability and related balances	68,416	(43,535)
Total OPEB obligation and related balances	341,355	148,655
Unearned revenue and other non-current liabilities	17,058	35,916
Net Cash Used in Operating Activities	<u>\$(1,504,517)</u>	<u>\$(1,447,078)</u>
Non-cash Investing, Capital and Related Financing Activities		
Non-cash investing activities		
Increase in fair value of investments	\$745	\$1,999
Amortization of (premium) and cost of refunding	(5,844)	(2,906)
Total Non-cash investing activities	<u>\$(5,099)</u>	<u>\$(907)</u>
Non-cash capital and related financing activities		
Capital assets related liabilities	\$18,805	\$4,892
Total Non-cash capital and related financing activities	<u>\$18,805</u>	<u>\$4,892</u>

See Notes to Consolidated Financial Statements.

(Concluded)

1. ORGANIZATIONS AND BUSINESS PURPOSE

Reporting Entity. The New Jersey Transit Corporation (NJ TRANSIT) is a component unit of the State of New Jersey created by the New Jersey Public Transportation Act of 1979. NJ TRANSIT is empowered with the authority to acquire, own, operate, and contract for the operation of public passenger transportation services. NJ TRANSIT provides these services through bus operations (NJ TRANSIT Bus Operations, Inc., NJ TRANSIT Mercer, Inc. and NJ TRANSIT Morris, Inc.), and commuter rail operations (NJ TRANSIT Rail Operations Inc.). ARH III Insurance Company, Inc., a non-profit special purpose captive insurance company, is a blended component unit of NJ TRANSIT. NJ TRANSIT also contracts with several third-party providers for certain transportation services including the operation of two light rail lines. Under these contracts, NJ TRANSIT has the right to set fares and coordinate service levels and schedules. In addition, NJ TRANSIT contracts with the National Railroad Passenger Corporation (Amtrak) for the maintenance of certain NJ TRANSIT rolling stock and the use of Amtrak's NEC, including propulsion costs, right-of-way maintenance costs and certain transportation management services.

NJ TRANSIT receives operating assistance and capital funds from the State of New Jersey by legislative appropriation; the Federal Government by defined formula; discretionary grants under the Federal Urban Mass Transportation Act of 1964 as most recently amended by the Moving Ahead for Progress Act in the 21st Century Act (MAP-21) of 2012; and local sources. Most federal grants are administered by the Federal Transit Administration (FTA). These grants are used to support construction, acquisition and operation of public transportation facilities, equipment and services.

NJ TRANSIT is governed by an eight-member Board of Directors. Seven of the members have voting authority and include the Commissioner of Transportation, who serves as Chairman, the State Treasurer and another member of the Executive Branch selected by the Governor, who serve ex-officio, and four other public members appointed by the governor with the consent of the State Senate. The eighth non-voting member is appointed by the Governor on the recommendation of the labor organization representing the plurality of the employees of NJ TRANSIT, that organization being the Amalgamated Transit Union (ATU). Five transit advisory committees regularly advise the Board of Directors on a number of topics. The North and South Jersey Transit Advisory Committees regularly advise the Board on customers' opinions, the Private Carrier Advisory Committee monitors the concerns of New Jersey's private bus carriers, the Americans with Disabilities Act (ADA) Task Force assists NJ TRANSIT in the implementation of its ADA improvements plan, and

the Local Programs Citizens Advisory Committee advises NJ TRANSIT on public decisions regarding accessibility issues. NJ TRANSIT employs an executive director who manages the day-to-day operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The accounts are maintained, and financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP) as they relate to enterprise funds of state and local governmental units and accordingly follow all applicable Governmental Accounting Standards Board (GASB) pronouncements.

In accordance with GAAP, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of NJ TRANSIT are included in the Consolidated Statements of Net Position. The two principal sources of revenue are passenger fares and governmental operating assistance and reimbursements. Operating expenses include the costs of operating the system, administrative expenses, and depreciation of capital assets.

New Accounting Pronouncements Recently Adopted.

GASB Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance*, was issued in May 2020.

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

The requirements of this Statement are effective immediately.

Accounting Standards Issued But Not Yet Adopted.

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017. The primary objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities.

This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The statement is effective for reporting periods beginning after December 15, 2019. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 87, *Leases*, was issued in June 2017. The primary objective of this statement is to better meet the information needs of financial statement users by

improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The statement is effective for reporting periods beginning after June 15, 2021. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued in June 2018. The primary objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraph 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1980 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The statement is effective for reporting periods beginning after December 15, 2020. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*,

was issued in August 2018. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The statement is effective for reporting periods beginning after December 15, 2019. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 91, *Conduit Debt Obligation*, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer;

establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The statement is effective for reporting periods beginning after December 15, 2021. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 94, *Public-private and Public-public Partnerships and Availability Payment Arrangements*, was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the Service utility of the underlying PPP asset at the end of arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal*

Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, was issued in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended, regarding investment

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

valuation requirements for Section 457 plans. As a result, investments of *all* Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. NJ TRANSIT is in the process of evaluating the impact of its adoption on the financial statements.

Revenue and Expense Classification. NJ TRANSIT distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses primarily result from providing transportation services in connection with NJ TRANSIT's ongoing operations. The principal operating revenues are generated from passenger fares. NJ TRANSIT's operating expenses include employment costs, materials, services, claims and insurance, purchased transportation and other expenses related to the delivery of transportation services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. NJ TRANSIT's primary source of non-operating revenue relates to grants, subsidies, and capital contributions. Grants, subsidies and capital contribution revenue is recognized at the time eligible expenses occur and/or NJ TRANSIT has complied with the grant and subsidy requirements.

Non-capital grants and subsidies are reported as non-operating revenue and capital grants are reported as a separate item on the Statements of Revenues, Expenses, and Changes in Net Position as capital contributions.

Net Position. Net position equals assets, plus deferred outflows of resources, minus liabilities, minus deferred inflows of resources and are classified into three categories:

- Net Investment in Capital Assets – This reflects the net position of NJ TRANSIT that is invested in capital assets, net of related debt. This indicates that this net position is not accessible for other purposes.
- Restricted for Capital Projects – This represents the net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties.
- Restricted for Claims – This reflects the net position of NJ TRANSIT that is invested in ARH III insurance company.

- Unrestricted (Deficit) – This relates to net position that does not meet the definition of "net investment in capital assets" or "restricted," as discussed above.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand, demand deposits and other short-term investments with maturities of three months or less when purchased. NJ TRANSIT considers cash and cash equivalents and investments held for the repayment of the non-current portion of notes payable and debt to be non-current assets.

Investments. All investments are stated at fair value based on quoted market prices, as available (see Note 3). Income from investments is recognized on the accrual basis. Realized gains or losses on sales of investment securities are accounted for using the specific identification method. NJ TRANSIT has elected to combine realized and unrealized gains and losses on investments. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. Realized gains and losses include unrealized amounts from prior years.

Accounts Receivable. Accounts receivable, primarily amounts due from federal and state governments, are included with other current assets and are recorded net of an allowance for uncollectible amounts.

Capital Assets. All capital assets are recorded at cost and include revenue and non-revenue vehicles, buildings, stations, furniture, fixtures, other equipment and infrastructure assets (right-of-way, track work, and bridges). Capital assets, which were acquired by the State of New Jersey, Department of Transportation and subsequently transferred to NJ TRANSIT at cost, are included in capital assets.

Capitalization Policy. Under NJ TRANSIT's policy, purchases exceeding \$5,000 representing additions or betterments, with a useful life greater than one year, are capitalized. Ordinary maintenance and repairs are charged to expense as incurred.

Depreciation Policy. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets as follows:

	YEARS
Buildings, structures and track work	25
Railcars and locomotives	22-25
Buses, vans and light railcars	5-15
Furniture, fixtures and equipment	3-10
Computer software and licenses	3

Capital Projects in Process. These are costs incurred by NJ TRANSIT for capital projects in various stages of completion and include all activities designed to construct, acquire, or extend useful lives of existing capital assets.

Net Capitalized Interest. Net interest costs on funds borrowed to finance the construction or acquisition of certain capital assets, during the period of construction or acquisition, are capitalized and depreciated over the life of the related assets once placed in service.

Materials and Supplies. Fuel, spare parts, and supplies purchased are recorded as inventories at average cost, net of a reserve for slow-moving and obsolete parts.

Deferred Outflows/Inflows of Resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The first deferred outflow results from refunding long-term debt and is the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item relates to the contributions made to the pension plans subsequent to the measurement date of NJ TRANSIT's net pension and OPEB liability and changes of assumptions in calculating the liability. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. NJ TRANSIT has deferred inflows of resources related to the net deferred gains on pension plan investments which are being amortized over a five year period, changes of assumptions or other inputs on OPEB plan and a derivative instrument asset which relates to fuel commodity swaps entered into during the year.

Injury and Damage Claims. Injury and damage claims are accrued at estimated award or settlement amounts when it is probable that an asset has been damaged or a liability has been incurred and the amount of the loss can be reasonably estimated. NJ TRANSIT is insured against public liability, property damage and Federal Employee Liability Act (FELA) claims through various levels of coverage placed with commercial insurance carriers and its wholly owned subsidiary, ARH III Insurance Company, Inc. Such coverage includes self-insured retention.

Pollution Remediation Obligations. Pollution remediation costs are being expensed in accordance with the provisions of GASB Statement No. 49, *Accounting*

and Financial Reporting for Pollution Remediation Obligations. An operating expense provision and corresponding liability measured at current value using the expected cash flow method has been recognized for certain pollution remediation obligations. Pollution remediation obligations occur when any one of the obligating events takes place (see Note 12).

Note Premiums and Discounts. Premiums and discounts, which are recorded net with Notes Payable, are amortized over the life of the debt using the effective interest method.

Income Taxes. NJ TRANSIT is exempt from federal income taxes under the Internal Revenue Code, Section 115 and from state income taxes under N.J.S.A. 27:25-16. Accordingly, no provision is recorded for federal and state income taxes.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the three defined benefit, single-employer plans that NJ TRANSIT sponsors, the New Jersey Public Employee Retirement System (PERS) and the New Jersey Police and Firemen's System (PFRS) and additions to/ deductions from these plans' fiduciary net position have been determined on the same basis as they are reported by these plans. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-employment Benefits. NJ TRANSIT follows GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* to record the Other Post-employment Benefits (OPEB) expense, liability and deferred inflows of resources related to OPEB. The benefits are currently funded on a pay-as-you-go basis (see Note 7).

Compensated Absences. Accumulation and payment of vacation and sick leave for agreement employees is based on the collective bargaining agreements with the various unions. Non-agreement employees are permitted to carryover one year's worth of vacation days. Sick days earned for non-agreement employees after January 1, 2012 are not eligible for cash-in upon retirement. Compensated absences are accrued as a liability when earned and the liability is measured using the pay rates in effect at the statement of net position date.

3. DEPOSITS AND INVESTMENTS

NJ TRANSIT's deposits and investments are as follows *(in millions)*:

	AS OF JUNE 30,	
	2020	2019
Current		
Cash on hand	\$6.2	\$10.7
Cash equivalents	116.1	64.4
Total cash and cash equivalents	122.3	75.1
Investments	60.8	57.8
Total current cash and investments	183.1	132.9
Non-current		
Restricted cash on hand	2.6	7.0
Restricted cash equivalents	620.6	96.3
Total restricted cash and cash equivalents	623.2	103.3
Total Deposits and Investments	\$806.3	\$236.2

NJ TRANSIT's cash on deposit with various entities as of June 30, 2020 and June 30, 2019 totaled \$8.8 million and \$17.7 million, respectively.

ACCOUNT TYPE	BALANCE <i>(in millions)</i>	
	2020	2019
Insured	\$1.1	\$1.8
Insured held at NJ TRANSIT's locations	2.5	2.2
Uncollateralized held by health care providers	2.6	7.0
Uninsured held by banks	2.6	6.7
Total	\$8.8	\$17.7

Custodial Credit Risk. Custodial credit risk is the risk that a bank failure would result in the forfeiture of NJ TRANSIT deposits. NJ TRANSIT does not have a policy for custodial credit risk. As of June 30, 2020, and June 30, 2019, \$5.2 million and \$13.7 million, respectively, of NJ TRANSIT's cash balance were exposed to custodial credit risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following schedule lists the allocation of cash and investments by financial institution (*\$ in millions*):

Institution/Issuer	2020		JUNE 30,		2019	
	AMOUNT	% OF PORTFOLIO	AMOUNT	% OF PORTFOLIO	AMOUNT	% OF PORTFOLIO
ARH-Wachovia Cash	\$0.8	0.1	\$0.0	0.0	\$0.0	0.0
ARH-Wells Fargo Cash	0.7	0.1	0.0	0.0	0.0	0.0
Bank of America	23.7	2.9	37.7	16.0*	37.7	16.0*
BNY Mellon	0.3	0.0	34.6	14.6*	34.6	14.6*
Chase	0.0	0.0	0.0	0.0	0.0	0.0
City National Bank	1.5	0.2	1.5	0.6	1.5	0.6
ETF – ARH	60.8	7.5	57.8	24.5	57.8	24.5
Liberty Mutual	0.6	0.1	0.4	0.2	0.4	0.2
NJ TRANSIT	1.5	0.2	1.6	0.7	1.6	0.7
State Cash Management Fund	95.8	11.9	0.0	0.0	0.0	0.0
State Street Bank and Trust	0.0	0.0	1.0	0.4*	1.0	0.4*
US Bank	620.5	77.0	96.3	40.8*	96.3	40.8*
Wells Fargo Bank	0.1	0.0	5.3	2.2	5.3	2.2
Total	<u>\$806.3</u>		<u>\$236.2</u>			

* A majority of the investments held are money market mutual funds that invest primarily in government securities.

Interest Rate Risk. In accordance with NJ TRANSIT's investment policy, NJ TRANSIT manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year. However, up to 25 percent of all investments may be invested in eligible securities, which mature within two years provided that the average maturity of all investments shall not exceed one year. Investments associated with the proceeds of debt issuance are governed by the related bond covenant agreements.

NJ TRANSIT's investments as of June 30, 2020 and June 30, 2019 totaled \$797.5 million and \$218.5 million, respectively.

Investments	Fair Value (<i>in millions</i>)		Weighted Average Maturity in Years	
	2020	2019	2020	2019
State of NJ Cash Management Fund	\$141.6	\$1.0	6.29	—
Money Market Funds	183.3	159.7	10.54	0.18
Exchange Traded Funds (ARH)	60.8	57.8	1.16	0.07
Government Bonds	<u>411.8</u>	<u>—</u>	53.14	—
Total	<u>\$797.5</u>	<u>\$218.5</u>		
Portfolio weighted average maturity (inclusive of proceeds from debt issuance)			0.09	0.15

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Credit Risk. NJ TRANSIT's investments are restricted to (a) United States Treasury Securities; (b) corporate obligations, provided they are rated BAA/BBB or better; (c) senior debt securities, provided such securities are rated at least AA; (d) commercial paper, which must have the highest prime rating and must be issued by a company incorporated in the United States; (e) certificates of deposit, both collateralized and uncollateralized (in the case of collateralization, the market value of the collateral must be 120 percent of the purchased price at the time of purchase); (f) repurchase agreements; (g) banker's acceptances; (h) loan participation notes; and (i) money market mutual funds. The restrictions pertaining to each class of these securities are outlined in NJ TRANSIT's investment policy and are strictly adhered to. Any deviation from the established risk is authorized by the Board of Directors.

NJ TRANSIT investment policy limits exposure to any single issuer to 20 percent of the investment portfolio. This restriction does not apply to issues of the U.S. government or its agencies that are explicitly guaranteed by the U.S. government or the State of New Jersey Cash Management Fund.

The investment of NJ TRANSIT funds is governed by NJ TRANSIT's By-Laws. The Treasurer is authorized to invest and deposit funds of NJ TRANSIT in obligation and/or depositories, which are generally consistent with the investment policies of the State of New Jersey Cash Management Fund as permitted under Public Law 1950 c.270 and subsequent legislation or as otherwise

prescribed by the Board of Directors of NJ TRANSIT. Investee institutions and organizations qualify as depositories based on such criteria as minimum capital, credit ratings, and other evaluation factors.

U.S. government and agency obligations are guaranteed by the full faith and credit of the issuing entity and are held by NJ TRANSIT's escrow agent in an account for NJ TRANSIT. Repurchase agreements are uncollateralized and uninsured and are limited to investment-grade paper. The State of New Jersey Cash Management Fund is a common trust fund administered by the New Jersey Department of Treasury, Division of Investment and is an unrated investment.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of NJ TRANSIT's investment in a single issuer. As of June 30, 2020, no exposure of the concentration of credit risk existed since the NJ TRANSIT did not hold any investments in any one issuer that would represent five percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this assessment.

Fair Value Measurements. NJ TRANSIT categorizes its fair value measurement within the fair value hierarchy established by generally accepted governmental standards. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 input are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NJ TRANSIT has the following recurring fair value measurements as of June 30, 2020 *(in millions)*:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Money market funds	\$183.3	\$183.3	\$—	\$—
Exchange traded funds (ARH)	60.8	60.8	—	—
Government Bonds	411.8	—	411.8	—
Total investments by fair value level	<u>\$655.9</u>	<u>\$244.1</u>	<u>\$411.8</u>	<u>\$—</u>
Investments in Local Government Investment Pool				
State of NJ Cash Management Fund	141.6			
Total investments	<u>\$797.5</u>			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NJ TRANSIT has the following recurring fair value measurements as of June 30, 2019 *(in millions)*:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Money market funds	\$159.7	\$159.7	\$—	\$—
Exchange traded funds (ARH)	57.8	57.8	—	—
Total investments by fair value level	\$217.5	\$217.5	\$—	\$—
Investments in Local Government Investment Pool				
State of NJ Cash Management Fund	1.0			
Total investments	\$218.5			

The following table presents fair value measurement information for NJ TRANSIT's captive insurance company's ("ARH III Insurance Company Inc.") investments at June 30, 2020 and June 30, 2019 *(in millions)*:

EXCHANGE TRADED FUNDS (ETF):	2020	2019
iShares Short Term Corporate Bond	\$7.5	\$7.0
iShares 1-3 Year Treasury Bond	7.5	7.0
iShares Intermediate Credit Bond	6.2	5.9
iShares 3-7 Year Treasury Bond	5.7	5.3
iShares Russell 1000 Growth	6.1	5.2
iShares Russell 1000 Value	4.5	4.6
iShares 7-10 Year Treasury Bond	3.8	3.6
Vanguard FTSE Developed Markets	3.6	3.4
iShares Core S&P Small-Cap	3.4	3.4
Others, less than five percent	12.5	12.4
Total ARH III Insurance Company ETF's	\$60.8	\$57.8

4. RESTRICTED ASSETS

Restricted assets include cash, investments, and amounts on deposit with lessors that have been restricted from use for normal operations as a result of agreements with outside parties.

Since April 1997, certain proceeds, primarily from the issuance of Grant Anticipation Notes, Certificates of Participation, and New Jersey Economic Development Authority Bonds, financed portions of NJ TRANSIT's capital projects. These proceeds are restricted by applicable agreement covenants. As of June 30, 2020 and June 30, 2019, the balance of restricted assets related to these proceeds was \$620.6 million and \$96.3 million, respectively.

Since fiscal year 1996, NJ TRANSIT has entered into leveraged leases with certain domestic and overseas lessors. Restricted leveraged lease deposits as of June 30, 2020 and 2019 were \$212.0 million and \$227.1 million, respectively, for these lease agreements that represent agreements made to meet NJ TRANSIT's payment obligations throughout the term of the leases.

As these transactions do not meet the definition of an "in-substance defeasance," NJ TRANSIT has recorded Obligations Under Capital Leases and the related assets as Restricted Leveraged Lease Deposits in the Consolidated Statement of Net Position.

Other restricted amounts are made up primarily of deposit requirements for NJ TRANSIT health insurance plans, sale of fixed asset reserves and reserve requirements for Metro park parking deck. The proceeds of other restricted amounts totaled \$2.6 million and \$7.0 million as of June 30, 2020 and June 30, 2019, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. CAPITAL ASSETS

A summary of all capital assets of NJ TRANSIT as of June 30, 2020 and for the year then ended, as follows *(in millions)*:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets not being Depreciated				
Land	\$395.9	\$41.3	\$—	\$437.2
Capital projects in process	1,221.2	505.8	(343.7)	1,383.3
Operating rights	14.2	—	—	14.2
Total Capital Assets not being depreciated	<u>1,631.3</u>	<u>547.1</u>	<u>(343.7)</u>	<u>1,834.7</u>
Capital Assets being Depreciated				
Buildings and structures	5,920.9	112.6	(5.4)	6,028.1
Track	2,428.0	38.8	—	2,466.8
Railcars and locomotives	2,904.7	—	(0.3)	2,904.4
Buses, vans and light railcars	1,869.7	125.6	(36.4)	1,958.9
Furniture, fixtures and equipment	832.6	21.9	(22.6)	831.9
Computer software & licenses	54.3	2.9	—	57.2
Total Capital Assets being Depreciated	<u>14,010.2</u>	<u>301.8</u>	<u>(64.7)</u>	<u>14,247.3</u>
Less Accumulated Depreciation				
Buildings and structures	3,991.6	196.3	(5.4)	4,182.5
Track	1,606.2	80.0	—	1,686.2
Railcars and locomotives	1,700.1	93.4	(0.3)	1,793.2
Buses, vans and light railcars	1,324.7	104.6	(36.4)	1,392.9
Furniture, fixtures and equipment	755.7	28.7	(22.6)	761.8
Computer software & licenses	37.0	9.9	—	46.9
Total Accumulated Depreciation	<u>9,415.3</u>	<u>512.9</u>	<u>(64.7)</u>	<u>9,863.5</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>4,594.9</u>	<u>(211.1)</u>	<u>—</u>	<u>4,383.8</u>
Total Net Capital Assets	<u>\$6,226.2</u>	<u>\$336.0</u>	<u>(\$343.7)</u>	<u>\$6,218.5</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of all capital assets of NJ TRANSIT as of June 30, 2019 and for the year then ended, as follows *(in millions)*:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets not being Depreciated				
Land	\$396.3	\$ —	\$(0.4)	\$395.9
Capital projects in process	880.7	501.3	(160.8)	1,221.2
Operating rights	14.2	—	—	14.2
Total Capital Assets not being depreciated	<u>1,291.2</u>	<u>501.3</u>	<u>(161.2)</u>	<u>1,631.3</u>
Capital Assets being Depreciated				
Buildings and structures	5,913.9	7.0	—	5,920.9
Track	2,407.3	20.7	—	2,428.0
Railcars and locomotives	2,923.8	—	(19.1)	2,904.7
Buses, vans and light railcars	1,888.6	116.2	(135.1)	1,869.7
Furniture, fixtures and equipment	822.2	10.5	(0.1)	832.6
Computer software & licenses	52.8	1.5	—	54.3
Total Capital Assets being Depreciated	<u>14,008.6</u>	<u>155.9</u>	<u>(154.3)</u>	<u>14,010.2</u>
Less Accumulated Depreciation				
Buildings and structures	3,796.4	195.2	—	3,991.6
Track	1,527.6	79.9	(1.3)	1,606.2
Railcars and locomotives	1,624.8	94.3	(19.0)	1,700.1
Buses, vans and light railcars	1,360.5	93.3	(129.1)	1,324.7
Furniture, fixtures and equipment	726.9	29.0	(0.2)	755.7
Computer software & licenses	34.7	6.7	(4.4)	37.0
Total Accumulated Depreciation	<u>9,070.9</u>	<u>498.4</u>	<u>(154.0)</u>	<u>9,415.3</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>4,937.7</u>	<u>(342.5)</u>	<u>(0.3)</u>	<u>4,594.9</u>
Total Net Capital Assets	<u>\$6,228.9</u>	<u>\$158.8</u>	<u>(\$161.5)</u>	<u>\$6,226.2</u>

6. PENSION AND EMPLOYEE BENEFIT PLANS

Employees of NJ TRANSIT participate in either the NJ TRANSIT sponsored defined benefit plans, which are single-employer pension plans, the PERS, or the PFRS. PERS and PFRS are cost-sharing multiple-employer defined benefit plans, which are administered by the State of New Jersey, Division of Pensions and Benefits.

NJ TRANSIT SPONSORED SINGLE-EMPLOYER DEFINED BENEFIT PLANS

General Information About the Plans

Plan Descriptions. NJ TRANSIT sponsors three defined benefit, single-employer pension plans for the employees. Of the three single-employer defined benefit pension plans, two cover bus agreement employees and one plan covers non-agreement employees. The two agreement plans are the Amalgamated Transit Union (ATU) Employees Retirement Plan and Utility Workers' Union of America (UWUA) Employees Retirement Plan. The plan covering all non-agreement employees, hired prior to July 1, 2006, is the Transit Employees Retirement Plan (TERP).

Benefits Provided. Each single-employer pension plan provides retirement, disability and death benefits for plan members and beneficiaries with the exception of the TERP plan, which has no disability provision and was closed to non-agreement employees hired on or after July 1, 2006. NJ TRANSIT maintains the authority to establish and amend benefit provisions of the non-agreement plan while the agreement plans are subject to the collective bargaining process. Separate audited financial statements are issued for the three pension plans, copies of which are available on the NJ TRANSIT website.

The Plans provide retirement, death and disability benefits with full vesting of the accrued benefits to a participant who terminates employment with 10 or more years of vesting service. A participant is credited with one year of vesting service for each calendar year in which he completes 1,000 hours of service or more. The standard form of pension payment to a retiring participant is a 50% actuarially equivalent reduced surviving spouse annuity unless the participant elects to have the benefits paid in some other form. For ATU and TERP, the retirement benefits rate is based on 2.125% for each year of service multiplied by the average of the highest three years earnings in the past ten years of service. For UWUA, employees retiring on November 1, 2007 and thereafter, the retirement benefit rate increased from previous 2.0% to 2.125% for each year of service multiplied by the average of the highest three years earnings in the last ten years of service.

Employees covered by benefit terms. At July 1, 2019, the following employees were covered by the benefit terms:

	ATU	TERP	UWUA (UCA)
Active participants	5,006	818	7
Inactive plan participants or beneficiaries currently receiving benefits	3,642	1,513	28
Inactive plan participants entitled to but not yet receiving benefits	<u>298</u>	<u>226</u>	<u>3</u>
Total	<u>8,946</u>	<u>2,557</u>	<u>38</u>

Contributions. Under the provisions of three bus single-employer pension plans, the contribution requirements of plan members and NJ TRANSIT are established as a result of bargaining agreements between the unions and NJ TRANSIT. In accordance with the TERP plan document, the TERP contributions shall be paid in such intervals and in such amounts as directed by NJ TRANSIT under the advice of an actuary. Plan members are required to contribute 2 to 5 percent of their annual covered salary. For the years ended June 30, 2020 and 2019, NJ TRANSIT's average contribution rates were 47.55 percent and 46.17 percent of annual covered payrolls, respectively.

Net Pension Liability. NJ TRANSIT's liabilities at June 30, 2020 and 2019 were measured as of June 30, 2019 and 2018, respectively, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of each pension plan's valuation date.

Actuarial assumptions. The total pension liabilities were determined by actuarial valuations as of July 1, 2019 and 2018, using the following actuarial assumptions for the three defined benefit plans, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.00% plus age and service based merit increases
Investment rate of return	7.50% for TERP and UWUA, 7.75% for ATU, net of pension plan investment expense, including inflation

For the TERP plan, the mortality assumption was updated to a 50/50 blend of the RP-2006 Blue Collar Mortality Tables and RP-2006 White Collar Mortality Tables with generational projection from 2006 using Scale MP-2019. For ATU and UWUA(UCA) plans, the mortality assumption for projecting mortality improvement from the base year (2006) to the current valuation date and for projecting mortality improvement after that date was updated from the MP-2017 to MP-2019 improvement scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	ATU	Other*	ATU	Other*
Domestic large cap equity	39.0%	42.0%	6.4%	6.4%
Domestic mid cap equity	5.0%	0.0%	6.4%	0.0%
Domestic small cap equity	4.0%	7.0%	6.4%	6.4%
Foreign equity	10.0%	12.0%	7.0%	7.0%
Fixed income	34.0%	37.0%	2.0%	2.0%
Real estate	6.0%	0.0%	4.8%	0.0%
Cash	2.0%	2.0%	0.0%	0.0%

*** TERP and UWUA (UCA)**

Discount rate. The discount rates at June 30, 2020 and 2019 used to measure the total pension liabilities were 7.50% for TERP and UWUA and 7.75% for ATU. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the actuarially determined amount. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in the Net Pension Liability for the year ended June 30, 2020 (in millions):

	ATU	TERP	UWUA(UCA)
Total pension liability			
Service cost	\$33.0	\$6.3	—
Interest	114.6	58.4	0.6
Change of benefit terms	18.7	—	—
Differences between expected and actual experience	3.2	10.9	0.2
Change of assumptions	(9.1)	16.5	—
Benefit payments, including refunds of employee contributions	<u>(88.6)</u>	<u>(50.7)</u>	<u>(0.7)</u>
Net change in total pension liability	71.8	41.4	0.1
Total pension liability – beginning	<u>1,494.2</u>	<u>799.5</u>	<u>8.3</u>
Total pension liability – ending (a)	<u>\$1,566.0</u>	<u>\$840.9</u>	<u>\$8.4</u>
Plan fiduciary net position			
Contributions – employer	\$54.4	\$34.9	\$0.2
Contributions – employee	13.5	1.5	—
Net investment income	54.9	24.8	0.5
Benefit payments, including refunds of employee contributions	(88.6)	(50.7)	(0.7)
Administrative expense	<u>(0.2)</u>	<u>(0.2)</u>	<u>—</u>
Net change in plan fiduciary net position	34.0	10.3	0.0
Plan fiduciary net position – beginning	<u>1,158.5</u>	<u>553.8</u>	<u>6.7</u>
Plan fiduciary net position – ending (b)	<u>\$1,192.5</u>	<u>\$564.1</u>	<u>\$6.7</u>
Net pension liability – ending (a) – (b)	<u>\$373.5</u>	<u>\$276.8</u>	<u>\$1.7</u>

Changes in the Net Pension Liability for the year ended June 30, 2019 (in millions):

	ATU	TERP	UWUA(UCA)
Total pension liability			
Service cost	\$31.4	\$6.7	—
Interest	111.1	56.8	0.5
Change of benefit terms	—	—	—
Differences between expected and actual experience	(12.2)	7.7	0.1
Change of assumptions	—	—	—
Benefit payments, including refunds of employee contributions	(83.2)	(47.4)	(0.6)
Net change in total pension liability	47.1	23.8	0.0
Total pension liability – beginning	1,447.1	775.7	8.3
Total pension liability – ending (a)	\$1,494.2	\$799.5	\$8.3
Plan fiduciary net position			
Contributions – employer	\$49.1	\$35.6	\$0.2
Contributions – employee	12.6	1.5	—
Net investment income	90.5	42.4	0.4
Benefit payments, including refunds of employee contributions	(83.2)	(47.4)	(0.6)
Administrative expense	(0.3)	(0.2)	—
Net change in plan fiduciary net position	68.7	31.9	0.0
Plan fiduciary net position – beginning	1,089.8	521.9	6.7
Plan fiduciary net position – ending (b)	\$1,158.5	\$553.8	\$6.7
Net pension liability – ending (a) – (b)	\$335.7	\$245.7	\$1.6

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability, calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate (in millions):

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
ATU	\$538.6	\$373.6	\$233.4

The following presents the Net Pension Liability, calculated using the discount rate of 7.50%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate (in millions):

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
TERP	\$363.6	\$276.6	\$202.4
UWUA (UCA)	2.4	1.7	1.0

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued pension financial reports, copies of which are available on the NJ TRANSIT website.

COST-SHARING MULTIPLE-EMPLOYER PLANS

Plan Descriptions. NJ TRANSIT and its subsidiaries contribute to the New Jersey Public Employees' Retirement System (PERS) and the Police and Firemen's System (PFRS). These cost-sharing multiple-employer, defined benefit pension plans are administered by the State of New Jersey. Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the State Legislature. The State of New Jersey issues separate, standalone financial reports for the PERS and PFRS plans. Information on the total plan funding status and progress, contribution required, and trend information can be found in the Comprehensive Annual Financial Report of State of New Jersey, Division of Pensions and Benefits, available on the State's website www.nj.gov/treasury/pensions/financial-reports.shtml.

A special funding situation exists for the Local employers of the Police and Firemen's Retirement System of New Jersey. Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers including NJ TRANSIT related to this legislation.

Benefits Provided. *PERS* - The vesting and benefit provisions are set by N.J.S.A. 43:15A. *PERS* provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of *PERS*.

The following represents the membership tiers for *PERS*:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

PFRS - The vesting and benefit provisions are set by N.J.S.A. 43:16A. *PFRS* provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for *PFRS*:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2 percent of final compensation for each year of creditable service, as

defined, up to 30 years plus 1 percent for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65 percent (tiers 1 and 2 members) and 60 percent (tier 3 members) of final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2 percent of final compensation for each year of service.

Contributions Made. PERS - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, each member contributes a percentage of Compensation. Effective October 1, 2011, Chapter 78, P.L. 200 set the member contribution rate at 6.5% and causes it to increase by 1/7th of 1% each July thereafter until it attains an ultimate rate of 7.5% on July 1, 2019. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5 percent of base salary to 10 percent. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Contribution to the PERS plan from NJ TRANSIT for both of fiscal years 2020 and 2019 was \$0.7 million or 12.73 percent of annual covered payroll.

PFRS - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5 percent to 10 percent in October 2011. NJ TRANSIT's required contribution rate to the PFRS plan for the fiscal year 2020 and 2019 were 33.89% and 31.38%, of annual covered payroll of which 30.46% and 26.61% of payrolls were required by NJ TRANSIT and 3.43% and 4.77%, respectively, of payrolls were required from the State. NJ TRANSIT's contributions to the PFRS plan for 2020 and 2019 were \$8.4 million or 30.43% and \$6.8 million or 26.77%, respectively.

Pension Liabilities Related to Multi-Employer Pensions

PERS - At June 30, 2020 and 2019, NJ TRANSIT reported liabilities of \$11.1 million and \$11.7 million, at 42.04% and 40.44% respectively, for its proportionate shares of the net pension liabilities.

PFRS - At June 30, 2020 and 2019, NJ TRANSIT reported liabilities of \$90.1 million and \$89.9 million, at 60.20% and 57.91% respectively, for its proportionate share of the net pension liabilities that reflected a reduction for State pension support provided to PFRS on behalf of NJ TRANSIT.

The amount recognized by NJ TRANSIT as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with NJ TRANSIT were as follows (in millions):

	FOR THE YEARS ENDED June 30,	
	2020	2019
NJ TRANSIT's proportionate share of the net pension liability	\$90.1	\$89.9
State's proportionate share of the net pension liability associated with NJ TRANSIT	<u>14.2</u>	<u>12.2</u>
Total	<u>\$104.3</u>	<u>\$102.1</u>

NJ TRANSIT's proportion of the net pension liability was based on a projection of the long-term share of contribution to the pension plans relative to the projected contributions of all participating State agencies, actuarially determined. At June 30, 2019, NJ TRANSIT's proportion was 0.0614590 percent and 0.7363782 percent for PERS and PFRS, respectively. At June 30, 2018, NJ TRANSIT's proportion was 0.0595627 percent and 0.6647348 percent for PERS and PFRS, respectively.

For the years ended June 30, 2020 and 2019, NJ TRANSIT recognized pension expense of \$1.7 million and \$1.4 million, revenue of \$1.7 million and \$1.4 million, respectively, for support provided by the State to PFRS, on behalf of NJ TRANSIT.

Actuarial assumptions. PERS: The collective total pension liability on the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019, and the collective total pension liability on the June 30, 2018 measurement date was determined by an actuarial

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The key actuarial assumptions are summarized below:

	FOR THE YEARS ENDED June 30,	
	2019	2018
Inflation:	2.75%	2.25%
Salary increase:	Based on years of service	Based on age
Through 2026	2.0% – 6.0%	1.65% – 4.15%
Thereafter	3.0% – 7.0%	2.45% – 5.15%
Investment rate of return:	7.00%	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

PFRS: The collective total pension liability in the June 30, 2019 and 2018 measurement date was determined by an actuarial valuation as of July 1, 2018 and July 1, 2017, which was rolled forward to June 30, 2019 and June 30, 2018, respectively. This actuarial valuation used the following actuarial assumptions:

	FOR THE YEARS ENDED June 30,	
	2019	2018
Inflation:	2.75%	2.25%
Salary increase:	Based on years of service	Based on age
Through 2026	3.25-15.25%	2.10% – 8.98%
Thereafter	3.25-15.25%	3.10% – 9.98%
Investment rate of return:	7.00%	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

Discount rate. PERS: The discount rates used to measure the total pension liability were 6.28% and 5.66% as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% and 50% at June 30, 2019 and 2018, respectively, of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057 and 2046, respectively. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and 2046, respectively, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

PFRS: The discount rates used to measure the total pension liability were 6.85% and 6.51% as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 70% and 50% as June 30, 2019 and 2018, respectively, of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076 and 2062, respectively. Therefore, the long-term expected rate of return on plan investments was applied

to projected benefit payments through 2076 and 2062, respectively, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Expected rate of return on investments. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PFRS's the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
PERS/PFRS:		
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Sensitivity of the net pension liability to changes in the discount rate. The following presents NJ TRANSIT's proportionate share of the net pension liability calculated using the discount rate of 6.28 percent and 6.85 percent for PERS and PFRS, respectively, as well as the proportionate share of the net pension liability using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (*in millions*):

	1% Decrease	Current Discount Rate	1% Increase
PERS (5.28%, 6.28%, 7.28%)	\$14.0	\$11.1	\$8.6
PFRS (5.85%, 6.85%, 7.85%)	121.8	90.1	63.9

Fiduciary plan net position. Detailed information about the PERS and PFRS fiduciary net position is available in the separately issued Comprehensive Annual Financial Report of State of New Jersey, Division of Pensions and Benefits, available on the State's website www.nj.gov/treasury/pensions/financial-reports.shtml.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Single-Employer and Cost-Sharing Multiple-Employer Plans). For the year ended June 30, 2020, NJ TRANSIT recognized pension expense of \$152.1 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2020, NJ TRANSIT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources *(in millions)*:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$62.0	\$26.4
Changes of assumptions or other inputs	29.2	40.5
Changes in proportion	11.8	0.7
Differences between expected and actual experience	17.2	10.1
NJ TRANSIT contributions subsequent to the measurement date	<u>93.6</u>	<u>—</u>
Total	<u>\$213.8</u>	<u>\$77.7</u>

Deferred outflows of resources of \$93.6 million resulted from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows *(in millions)*:

	TOTAL
Year 1 (2021)	\$37.5
Year 2 (2022)	2.0
Year 3 (2023)	—
Year 4 (2024)	5.0
Year 5 (2025)	<u>(2.0)</u>
Total	<u>\$42.5</u>

Defined Contribution Plans

In addition to the defined benefit plans, NJ TRANSIT provides an employee savings and protection plan 401(k) for all eligible non-agreement employees. NJ TRANSIT provides a maximum 50 percent matching contribution on the first six percent contributed by the employees. This plan permits employees to contribute up to 50 percent of their salary not to exceed \$19,500 annually on a pre-tax basis.

NJ TRANSIT also provides money purchase pension plans 401(a) and employee savings/deferred compensation plans (457) for eligible agreement and non-agreement employees. NJ TRANSIT contributed 1 to 6 percent of annual compensation to certain employees' accounts in the 401(a) plan. (Effective 1/1/09, newly hired employees in the Rail conductors union get a 1 percent contribution in their first year of employment, with an additional contribution of 1 percent per year up to a maximum of 5 percent.) The 457 plan permits employees to contribute up to 50 percent of their salary not to exceed \$19,500 annually on a pre-tax basis.

Beginning in 2002, a pre-tax contribution was added for participants of the 401(k) and 457 plans. The Economic Growth and Tax Relief Act of 2001 permits individuals who are age 50 (or older) by the end of the calendar year to elect to make additional "catch up" contributions to the plan. This is in addition to the pre-tax employee contribution limit. Pursuant to the act, participants in the 401(k) and 457 plans who are over 50 years of age can contribute an additional \$6,500 above the \$19,500 limit.

NJ TRANSIT's expenses for the defined contribution plans totaled \$26.1 million and \$24.4 million in fiscal years 2020 and 2019, respectively.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Employees of NJ TRANSIT participate in either the NJ TRANSIT sponsored single employer defined benefit OPEB plan or the Health Benefit Local Government Retirement Employees Plan administered by the State of New Jersey, Division of Pensions and Benefits, which is a cost-sharing multiple-employer plan.

NJ TRANSIT SPONSORED OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the Plan

Plan Descriptions. NJ TRANSIT's OPEB plan, a single employer defined benefit plan, provides OPEB for all eligible retirees and their spouses. The contribution and benefit requirements are negotiated between NJ TRANSIT and union representatives for Rail and Bus agreement employees. NJ TRANSIT establishes and may amend the provisions for non-agreement employees. NJ TRANSIT's required contribution is based on projected pay-as-you-go financing requirements and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. NJ TRANSIT provides post-employment medical, dental, vision and life insurance benefits for eligible retirees and their spouses. The benefit terms are as follows:

Bus Agreement: Benefit terms cover retirees who are earlier of 1) age 55 with 10 years of service, 2) Rule of 80, or 3) Hired after age 50 with 5 years of service. Medical benefits vary for retirees who are Pre-age 65 and post-age 65. Dental benefits cover Pre-age 65 only, while life insurance benefits cover eligible retirees with flat \$7,500 and \$8,000 for regular Mercer retirees and supervisors.

Rail Agreement: Benefit terms cover retirees who are Age 60 with 30 years of service. Medical benefits vary for retirees who are Pre-age 65 and post-age 65. There is no dental benefit coverage and life insurance benefits cover eligible retirees in an amount of \$2,000.

Non-Agreement: Benefit terms covers retirees who are earlier of 1) age 55 with 10 years of service, 2) Rule of 80, or 3) Hired after age 50 with 5 years of service.

Medical benefits vary for retirees who are Pre-age 65 and post-age 65. Dental benefits cover Pre-age 65 and post 9/1/08 pre/post-age 65 retirees, while life insurance benefits cover eligible retirees with flat \$5,000 for pre-1/1/94 retirees. All other retirees' life insurance remains at \$10,000.

The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2020	2019
Valuation date	July 1, 2019	July 1, 2017
Measurement date	June 30, 2020	June 30, 2019
Salary increases, varies by age	3.16% - 4.84%	3.00%
Inflation rate	3.00%	3.00%
Discount rate	2.21%	3.51%
Healthcare cost trend rates		
Pre-65	6.7% for 2020, decreasing to 3.8% by 2042	5.50% for 2018 decreasing to 3.84% by 2075
Post-65	Non-agreement: 6.4% for 2020, decreasing to 3.8% by 2074 Bus: 3.8% for FY2020, decreasing to 3.7% by 2074	5.50% for 2018 decreasing to 3.84% by 2075
Actuarial cost method	Entry Age Normal	Entry Age Normal

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Employees covered by benefit terms.

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	406
Inactive employees entitled to but not yet receiving benefit payments	5,473
Active employees	10,618
Total Membership	16,497
Spouses of Retirees	2,025

OPEB Funding

NJ TRANSIT pays for OPEB benefits on a pay-as-you-go basis. Since NJ TRANSIT is not pre-funding these benefits, no actuarially determined contribution is determined.

Total OPEB Liability

NJ TRANSIT's total OPEB liability of \$1,637.9 million was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial assumptions. The total OPEB liabilities as of June 30, 2020 and 2019 were measured at June 30, 2020 and 2019 and determined by actuarial valuations dated July 1, 2019 and 2017, respectively, which was rolled forward to the measurement date using update procedures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mortality – All mortality rates are projected on a generational basis using MP-2019 mortality improvement scale. As a generational table, it reflects mortality improvements both before and after the measurement date.

Preretirement: RP-2006 Employee Mortality Table for Males and Females with blue collar adjustments for Bus and Rail members. A 50/50 blend of white collar and blue collar adjustments were used for Non-Agreement members.

Postretirement Healthy Lives: RP-2006 Healthy Annuitant Mortality Table for Males and Females with blue collar adjustments. A 50/50 blend of white collar and blue collar adjustments were used for Non-Agreement members.

Postretirement Disabled Lives: RP-2006 Disabled Annuitant Mortality Table for Males and Females.

Changes in the Total OPEB Liability (in millions):

	FY 2020	FY 2019
Beginning Balance, June 30, As previously reported	\$1,296.6	\$1,098.5
Prior period adjustment (unaudited)	—	49.4
Beginning Balance, June 30, As restated	\$1,296.6	\$1,147.9
Changes for the year:		
Service cost	55.6	55.9
Interest	46.5	45.5
Economic/demographic gains or losses	89.4	—
Changes of assumptions or other inputs	204.2	104.2
Benefit payments	(54.4)	(56.9)
Net changes	341.3	148.7
Ending Balance, June 30	\$1,637.9	\$1,296.6

Sensitivity of the total OPEB liability to change in the discount rate. The following presents the total OPEB liability of NJ TRANSIT, calculated using the discount rate of 2.21 percent, as well as what NJ TRANSIT's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability (in millions)	\$1,904.3	\$1,637.9	\$1,425.7

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of NJ TRANSIT, as well as what NJ TRANSIT's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Current Trend Rate	1% Increase
Total OPEB liability (in millions)	\$1,389.9	\$1,637.9	\$1,957.8

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020 and 2019, NJ TRANSIT recognized OPEB expense of \$144.2 million and \$106.7 million, respectively. At June 30, 2020, NJ TRANSIT reported \$335.1 million of deferred outflows and \$30.6 million of deferred inflows of resources related to OPEB from changes of assumptions or other inputs, which will be recognized in OPEB expense as follows (in millions):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$78.2	\$—
Changes of assumptions or other inputs	256.9	30.6
Total	\$335.1	\$30.6

The deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows (in millions):

	TOTAL
Year 1 (2021)	\$42.1
Year 2 (2022)	42.1
Year 3 (2023)	42.1
Year 4 (2024)	42.1
Year 5 (2025)	49.7
Thereafter*	86.4
Total	\$304.5

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

STATE OF NEW JERSEY HEALTH BENEFIT LOCAL GOVERNMENT RETIREMENT EMPLOYEES PLAN

General Information about the Plan

Plan Descriptions. The State of New Jersey sponsors and administers the post-retirement health benefit program covering employees of NJ TRANSIT who are in the Police and Firemen’s system (PFRS). The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other post-employment benefit plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The State grants the authority to establish and amend the benefit terms to the PFRS.

The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75; therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey, Division of Pensions and Benefits’ Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>. In accordance with GASB Statement No. 75, the plan is Cost-Sharing Multiple-Employer plan with a special funding situation. There are 260 members from NJ TRANSIT.

The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Benefits Provided. In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to eligible policemen and fireman retirees who are age 55 with 25 years of service (mandatory at age 65) and disability insurance under various terms. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Total OPEB Liability

As PFRS is 100% funded by the State, NJ TRANSIT’s OPEB liability was zero and State’s Proportionate Share of the collective net OPEB Liability associated with NJ TRANSIT was \$55.9 million. The portion of the State’s total proportionate share of the collective net OPEB liability that is associated with NJ TRANSIT were 1.013015% and 1.027590% as of June 30, 2019 and 2018, respectively.

Actuarial assumptions

The total OPEB liability as of June 30, 2020 and 2019 was measured at June 30, 2019 and 2018 and determined by an actuarial valuation as of June 30, 2018 and 2017, respectively which was rolled forward to the measurement date using update procedures.

FOR THE YEARS ENDED JUNE 30,		
	2019	2018
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Inflation	2.50%	2.21%
Salary increases	Based on years of service	Based on years of service
Discount rate	3.50%	3.87%
Healthcare cost trend		
Pre-65	5.7% decreasing to 4.5% long- term trend rate after 8 years	5.8% decreasing to 5.0% long- term trend rate after 8 years
Post-65	7.5% decreasing to a 4.5% long-term trend rate after 8 years	5.8% decreasing to a 5.0%% long-term trend rate after 8 years

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality. Mortality rates were based on PUB-2010 “Safety” classification headcount- weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Mortality rates were based on the RP-2014 Blue Collar Mortality Tables (Gender specific) backward to the base year (2006) using Scale MP-2014, and projected forward generationally from 2006 using Scale MP-2017 (Non-Annuity and Annuity).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OPEB Expense

For the years ended June 30, 2020 and 2019, NJ TRANSIT recognized OPEB expenses of \$0.7 million and \$1.9 million and revenue of \$0.7 million and \$1.9 million, respectively, for support provided by the State to PFRS on behalf of NJ TRANSIT.

8. OTHER CURRENT LIABILITIES

Other current liabilities totaled \$83.2 million and \$107.4 million at June 30, 2020 and 2019, respectively, are comprised of the following *(in millions)*:

	AS OF JUNE 30,	
	2020	2019
Advance funds-State/Port Authority	\$4.0	\$15.0
NEC Obligations	1.8	9.3
Injury and damage claims (Note 14)	52.5	48.6
Retainage on construction projects	10.9	10.1
Pollution remediation obligations (Note 12)	9.7	7.5
Other	4.3	16.9
Total	<u>\$83.2</u>	<u>\$107.4</u>

The advanced funds represent funds received for capital projects for which expenditures have not yet been incurred and/or will be subsequently paid back to the State Transportation Trust Fund. Other current liabilities include fees related to the NEC Service and unearned passenger revenue for bulk ticket and monthly sales related to future periods.

9. OTHER NON-CURRENT LIABILITIES

Unearned revenue and other non-current liabilities totaled \$73.2 million and \$73.0 million as of June 30, 2020 and 2019. These amounts relate to unearned lease and permit revenues, reserves for future environmental clean-up costs, and funds designated for future asset purchases *(in millions)*.

	AS OF JUNE 30,	
	2020	2019
Materials and supplies – capital spare parts	\$10.8	\$9.1
Leases and permits	7.6	8.9
Federal interest on capital assets	5.8	5.6
Non-Federal capital project advances	14.4	11.2
Other	3.9	6.9
Total unearned revenue	<u>42.5</u>	<u>41.7</u>
Sick leave	5.1	3.5
Pollution remediation obligations (Note 12)	25.6	27.8
Total other non-current liabilities	<u>30.7</u>	<u>31.3</u>
Total	<u>\$73.2</u>	<u>\$73.0</u>

10. DEBT AND OTHER OBLIGATIONS

Revolving Line of Credit

In October 2019, NJ TRANSIT (NJT) entered into a Revolving Credit Agreement with the Bank of America (BoFA) for the purposes of obtaining a \$300 million Line of Credit (Line). The Revolving Credit Agreement and Line are secured by an NJT Corporation Federally

Taxable Grant Anticipation Note, Series 2019 (the Series 2019 Note) dated October 2, 2019. The Series 2019 Note evidences the revolving loans made by BoFA to NJT and were issued to BoFA in anticipation of the receipt of certain grant funds from the Federal Transit Administration (FTA). The Revolving Credit Agreement and Line will terminate October 2, 2022.

The Line will assist NJ TRANSIT in meeting its operating cash requirements for expenditures that are eligible for reimbursement from FTA, Section 5307 and 5337 Formula Funds.

NJ TRANSIT will pay a commitment fee of 25 basis points (based upon NJ TRANSIT's current ratings) on undrawn amounts and a floating interest rate based upon LIBOR plus 49 basis points (based upon the current rating) on drawn amounts. NJ TRANSIT is required to repay all outstanding amounts within 45 days of the end of the federal fiscal year.

In June 2015, NJ TRANSIT entered into a Revolving Credit Agreement with the Royal Bank of Canada (RBC) for the purposes of obtaining a \$300 million Line of Credit (Line). The Revolving Credit Agreement and Line are secured by a NJ TRANSIT Corporation Federally Taxable Grant Anticipation Note; Series 2015 (the Series 2015 Note) dated June 9, 2015. The Series 2015 Note evidences the revolving loans made by RBC to NJ TRANSIT and were issued to RBC in anticipation of the receipt of certain grant funds from the Federal Transit Administration (FTA). As of June 30, 2020, the available line of credit for drawdown has a zero balance.

The Line will assist NJ TRANSIT in meeting its operating cash requirements for expenditures that are eligible for reimbursement from the FTA, Section 5307 and 5337 Formula Funds.

NJ TRANSIT will pay a commitment fee of 30 basis points (based upon NJ TRANSIT's current ratings) on undrawn amounts and a floating interest rate based upon LIBOR plus 60 basis points (based upon the current rating) on drawn amounts.

During fiscal year 2020, NJ TRANSIT has drawn \$225 million on the Line and has repaid \$340 million. Total outstanding loan balance at June 30, 2020 and June 30, 2019 was \$0 million and \$115 million, respectively.

Bonds Payable

In January 2020, the New Jersey Economic Development Authority (NJEDA) issued \$500 million of 2020 Series A NJ Transit Transportation Project Bonds. The 2020 Series A Bonds were issued to (i) finance the costs of a project (the "2020 Series A Project") consisting of the acquisition of commuter buses and locomotives by New Jersey

Transit Corporation, (ii) pay capitalized interest on the 2020 Series A Bonds through and including November 1, 2022, and (iii) pay Cost of Issuance of the 2020 Series A Bonds. The 2020 Series A were issued bearing interest at the rate of 5.00% per annum with a final maturity of November 2044. As of June 30, 2020, the entire \$500.0 million of 2020 Series A remain outstanding.

In January 2017, the New Jersey Economic Development Authority (NJEDA) issued \$627.7 million of Series 2017 Transportation Project Sublease Revenue and Refunding Bonds. This issue consisted of \$64.1 million of 2017 Series A; Transportation Project Sublease Revenue Bonds and \$563.6 million of 2017 Series B; Transportation Project Sublease Revenue Refunding Bonds. The Series 2017A Bonds were issued to finance the cost of "New Money Projects" related to the Traction Power High Voltage Substation Circuit Breaker Replacement Project, Long Slip Fill and Rail Enhancement Project and the Bus Radio System Replacement Project as well as the payment of capitalized interest and the payment of the cost of issuance of the 2017 Series A Bonds. The Series 2017B Bonds were issued to finance the refunding advance of prior obligations specifically the Series 2004A Certificates of Participation, dated April 1, 2004, the Series 2008A, Certificates of Participation, dated April 1, 2008 and Series 2009A Certificates of Participation, dated April 1, 2009 as well as the payment of cost of issuance of the 2017 Series B Bonds. As a result of this refunding, NJ TRANSIT increased its total debt service requirements over the life of the issue by \$13.7 million, which resulted in a net present value loss of \$5.6 million. As of June 30, 2020, \$64.0 million of 2017 Series A and \$492.8 million of 2017 Series B remain outstanding.

The 2014 GANs were issued as two series. The \$381.8 million Series 2014A tax-exempt Notes refunded all of the outstanding 2000B, 2002B and 2005A COPs as well as certain maturities of the 2002A and 2003A COPs. The \$101.9 million Series B taxable Notes refunded certain maturities of the 2002A and 2003A COPs. As of June 30, 2020, \$135.8 million of the 2014A GANs remain outstanding.

The 2014A Notes were issued at yields between 0.43 percent and 2.55 percent with a final maturity of September 2021. The 2014B Notes were issued at yields between 0.35 percent and 0.8 percent with a final maturity of September 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following schedule summarizes notes payable, and other obligations, by issue, as of June 30, 2020 *(in millions)*:

	Inception Date	Balance June 30, 2019	Additions	Payments/ Reductions	Balance June 30, 2020	Due Within One Year
Federal						
GANS 2014A	09/15	\$199.5	\$—	(\$63.8)	\$135.7	\$67.1
State of NJ						
NJEDA 2008A	09/08	—	—	—	—	—
NJEDA 2017A	01/17	64.1	—	—	64.1	—
NJEDA 2017B	01/17	549.8	—	(57.0)	492.8	59.8
NJEDA 2020A	01/20	—	500.0	—	500.0	—
OTHER						
Revolving Line of Credit	06/15	115.0	225.0	(340.0)	—	—
Total		928.4	725.0	(460.8)	1,192.6	\$126.9
Unamortized Bond Premium		29.2	76.8	(10.5)	95.5	—
Total Notes Payable		\$957.6	\$801.8	(\$471.3)	\$1,288.1	

Long-term notes payable maturities as of June 30, 2020 *(in millions)*:

Fiscal Years	Principal	Interest	Total
2021	\$126.9	\$53.9	\$180.8
2022	131.7	47.4	179.1
2023	66.2	42.5	108.7
2024	69.6	39.1	108.7
2025	73.1	35.5	108.6
2026-2030	246.4	130.8	377.2
2031-2035	124.0	96.1	220.1
2036-2040	157.7	62.4	220.1
2041-2045	197.0	23.2	220.2
Total	\$1,192.6	\$530.9	\$1,723.5

The following schedule summarizes notes payable, and other obligations, by issue, as of June 30, 2019 *(in millions)*:

	Inception Date	Balance June 30, 2018	Additions	Payments/ Reductions	Balance June 30, 2019	Due Within One Year
Federal						
GANS 2014A	09/15	\$260.2	\$—	\$60.7	\$199.5	\$63.8
State of NJ						
NJEDA 2008A	09/08	39.5	—	39.5	—	—
NJEDA 2017A	01/17	64.1	—	—	64.1	—
NJEDA 2017B	01/17	563.6	—	13.8	549.8	57.0
OTHER						
Revolving Line of Credit	06/15	75.0	255.0	215.0	115.0	115.0
Total		1,002.4	255.0	329.0	928.4	\$235.8
Unamortized Bond Premium		38.7	—	9.5	29.2	—
Total Notes Payable		\$1,041.1	\$255.0	\$338.5	\$957.6	

Long-term notes payable maturities as of June 30, 2019 (*in millions*):

Fiscal Years	Principal	Interest	Total
2020	\$120.8	\$36.8	\$157.6
2021	126.9	30.6	157.5
2022	131.7	24.2	155.9
2023	66.2	19.2	85.4
2024	69.6	15.8	85.4
2025-2028	<u>298.3</u>	<u>27.3</u>	<u>325.6</u>
Total	<u>\$813.5</u>	<u>\$153.9</u>	<u>\$967.4</u>

11. LEASES AND OTHER COMMITMENTS

Leveraged Lease Transactions. NJ TRANSIT has entered into a number of leveraged lease transactions with certain domestic and foreign lessors. These transactions entail the sale/leaseback (SILO) or lease/leaseback (LILO) of various NJ TRANSIT commuter and light rail vehicles, buses, equipment and facilities to third-party lessors.

In connection with the leveraged lease transactions, NJ TRANSIT has made investment arrangements to meet its payment obligations throughout the term of the respective leases. As these transactions do not meet the definition of an “in-substance defeasance,” NJ TRANSIT has recorded Obligations under Capital Leases and the related assets as Restricted Leveraged Lease Deposits in the Consolidated Statements of Net Position (see Note 4).

Leveraged Lease Risk Exposures. Under the terms of these agreements, a significant portion of the initial amount received by NJ TRANSIT from the third party (approximately 80 percent) is paid to an affiliate of the third party’s lender which has the obligation to make an equivalent portion of the sublease rent payments, eliminating the need for NJ TRANSIT to make these payments to the third-party. This portion of the lease rent payments is equal to the debt service on the related third-party loan.

NJ TRANSIT also pays an amount to and enters into an Equity Payment Undertaking Agreement with a third party whereby that party has the obligation to provide the amounts necessary to make the remainder of the basic lease rent payments and pay the purchase price due upon exercise by NJ TRANSIT at the end of the lease. The amount remaining after payment of transaction expenses is NJ TRANSIT’s net benefit from these transactions.

Counterparty Risk. Counterparty risk is the risk of a party to a leveraged lease agreement failing to fulfill their contractual obligation. Each leveraged lease transaction involves a variety of parties and counterparties. Counterparty risk is a type of credit risk

that closely relates to the credit quality of the parties involved in the transactions. It is reduced by having an organization with good credit act as a guarantor between the two or more parties.

Collateral and Surety Risk. Collateral is a security or guarantee (usually an asset) pledged for the repayment of a loan if one cannot or is unable to repay. In the event of deterioration in the credit ratings of the counterparty, the agreement may require that collateral be posted to secure the party’s obligations. Further ratings deterioration below levels agreed to in the Equity Payment Undertaking Agreement could result in additional collateral being posted with a third-party custodian. In most cases, collateral must be cash, U.S. Treasuries, or certain federal agency securities. Additional insurance coverage of possible early termination of payments is provided by separate surety policies in most contracts, which protects the counterparties from financial loss should the guarantors fail to perform in accordance with contract terms and conditions. Furthermore, if the credit ratings of the companies that provide the surety protections fall below the rating trigger associated with the early termination surety, NJ TRANSIT may also be required to replace the surety company. If the required replacement of either a surety or counterparty is not performed, it could trigger a termination event requiring a cash settlement.

Termination Risk. A leveraged lease agreement could be terminated if one party does not fulfill the obligations set forth in the contract. When an Event of Default or a Termination Event has occurred, either NJ TRANSIT or the counterparties could be required to make a termination payment according to the contract terms. Events of Default include non-payment, false or misleading representations, or the bankruptcy of NJ TRANSIT or the counterparties. Termination Events include a downgrade of the counterparty’s credit rating to below that stated in the agreement. For example, under a current Equity Payment Undertaking Agreement, with respect to ratings

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of the equity payment undertaker, the counterparty, which may be a bank or other financial institution, must have a Credit Rating of at least AA by Standard & Poor's and of at least Aa2 by Moody's at all times before the final maturity of a leveraged lease. A party has the right to terminate the lease agreement earlier when there is a downgrading of the counterparty's credit ratings.

Interest Rate Risk. The interest rate risk goes up when the market interest rate goes down and the returns on the investment decline. Accounts initially deposited together with the aforementioned obligation of the third party's lender, result in a financial defeasance of all sublease obligations, including the cost of purchasing the third party's remaining rights at the end of the sublease period if the purchase option is exercised. Should an event occur that changes the initial deposit instruments, it is possible that the amount earned on the deposit account balance may not match the option price stated in the agreement at the end of the lease period. Under the terms of the agreement, should there be less interest earned on deposits than scheduled to make related payments, NJ TRANSIT would be liable for the shortfall.

Capital Leases

NJ TRANSIT did not enter into any new capital leases in fiscal year 2020. A summary of each capital lease follows. All other leases represent leveraged leases.

In total, NJ TRANSIT has recorded obligations under capital leases of \$212.0 million as of June 30, 2020.

The cost of capital assets under capital leases, including leveraged leases, is summarized as follows and is included in capital assets (see Note 5) *(in millions)*:

	AS OF JUNE 30,	
	2020	2019
Railcars and Locomotives	\$360.5	\$360.5
Buses and Light Railcars	—	39.3
Capital Assets Under Capital Leases (at cost)	360.5	399.8
Less Accumulated Depreciation	227.1	251.2
Net Capital Assets Under Capital Leases	<u>\$133.4</u>	<u>\$148.6</u>

The following schedule summarizes the capital lease obligations, including leveraged lease obligations, as of June 30, 2020 *(in millions)*:

	Inception Date	Balance June 30, 2019	Additions	Payments/Reductions	Balance June 30, 2020	Due Within One Year
Comet IV Coaches	09/03	\$26.4	\$—	\$—	\$26.4	\$—
Articulated Buses	07/04	3.7	—	3.7	—	—
Diesel Locomotives	12/05	66.5	—	5.6	60.9	5.9
Multilevel Railcars	12/06	15.3	—	0.7	14.6	0.7
Multilevel Railcars	06/07	29.8	—	1.1	28.7	1.2
Multilevel Railcars	12/07	51.4	—	2.0	49.4	2.3
Multilevel Railcars	01/08	33.9	—	1.9	32.0	2.1
Total Capital Lease Obligations		<u>\$227.0</u>	<u>\$—</u>	<u>\$15.0</u>	<u>\$212.0</u>	<u>\$12.2</u>

Minimum capital lease maturities as of June 30, 2020 *(in millions)*:

Fiscal Years	Principal	Interest	Total
2021	\$12.2	\$9.8	\$22.0
2022	13.2	9.3	22.5
2023	13.0	8.1	21.1
2024	39.5	6.9	46.4
2025	21.8	5.5	26.3
2026-2030	112.3	41.7	155.0
Total Capital Lease Obligations	<u>\$212.0</u>	<u>\$81.3</u>	<u>\$293.3</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following schedule summarizes the capital lease obligations, including leveraged lease obligations, as of June 30, 2019 (in millions):

	Inception Date	Balance June 30, 2018	Additions	Payments/ Reductions	Balance June 30, 2019	Due Within One Year
Comet IV Coaches	09/03	\$26.4	\$—	\$—	\$26.4	\$—
Light Railcars	09/03, 10/03	40.1	—	40.1	—	—
Articulated Buses	07/04	6.7	—	3.0	3.7	3.7
Diesel Locomotives	12/05	71.8	—	5.3	66.5	5.6
Multilevel Railcars	12/06	15.9	—	0.6	15.3	0.6
Multilevel Railcars	06/07	30.7	—	0.9	29.8	1.1
Multilevel Railcars	12/07	53.3	—	1.9	51.4	2.1
Multilevel Railcars	01/08	35.8	—	1.9	33.9	1.9
Total Capital Lease Obligations		<u>\$280.7</u>	<u>\$—</u>	<u>\$53.7</u>	<u>\$227.0</u>	<u>\$15.0</u>

Minimum capital lease maturities as of June 30, 2019 (in millions):

Fiscal Years	Principal	Interest	Total
2020	\$15.0	\$10.4	\$25.4
2021	12.2	9.8	22.0
2022	13.2	9.3	22.5
2023	13.0	8.1	21.1
2024	39.5	6.9	46.4
2025-2029	<u>134.1</u>	<u>47.2</u>	<u>181.3</u>
Total Capital Lease Obligations	<u>\$227.0</u>	<u>\$91.7</u>	<u>\$318.7</u>

As of June 30, 2020, NJ TRANSIT committed to future purchases under the following capital projects and special services which will be funded from federal, state, local or other capital sources (in millions):

Casino Revenue Transportation Program	\$15.6
Rail Infrastructure	66.0
Gladstone Electric Traction Upgrade	103.5
Hoboken Terminal Improvements	49.3
Rail Passenger Facilities	17.0
Bus Rolling Stock	504.5
Rail Rolling Stock	696.4
Other, for commitments less than \$10 million	<u>613.8</u>
Total Capital Projects and Special Service Commitments	<u>\$2,066.1</u>

12. POLLUTION REMEDIATION OBLIGATIONS

GASB Statement No. 49, Accounting, and Financial Reporting for Pollution Remediation Obligations establishes standards for determining when expected pollution remediation outlays should be accrued as a liability or, if appropriate, capitalized. In 2020, an operating expense and corresponding liability, measured at their current value using the expected cash flow method, have been recognized for certain pollution remediation obligations. Pollution remediation obligations, which are estimates and subject to changes in price, technology, or applicable laws and regulations, occur when any one of the following obligating events takes place:

- NJ TRANSIT is compelled to take pollution remediation action because of an imminent endangerment.
- NJ TRANSIT is in violation of a pollution prevention-related permit or license.
- NJ TRANSIT is named by a regulator as a responsible or potentially responsible party to participate in remediation.
- NJ TRANSIT is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities.
- NJ TRANSIT commences, or legally obligates itself to commence remediation efforts.

As of June 30, 2020, the net pollution remediation reserve amount totaling \$35.3 million, was measured at its current value utilizing the expected cash flow method. The total liability of \$36.3 million was reduced by \$1.0 million for expected recoveries from other responsible parties, potentially responsible parties (PRPs) and insurers. The cumulative liability increased by \$0.1 million, attributable primarily to the costs for additional liabilities related to the fiscal year 2020.

The following table summarizes the changes in NJ TRANSIT's liability for pollution remediation for the year June 30, 2020 and June 30, 2019 *(in millions)*:

	2020	2019
Balance, Beginning of Year	\$35.2	\$29.6
Current year costs	1.1	7.0
Payment made during the year	(1.0)	(1.4)
Balance, End of Year	<u>\$35.3</u>	<u>\$35.2</u>

The pollution remediation liability of \$35.3 million at June 30, 2020, essentially consists of future

remediation activities associated with asbestos removal, cleanup of contamination, and wastewater treatment at NJ TRANSIT stations, garages and other facilities. Of this amount, \$9.7 million represents the current portion of the liability, which is included in accounts payable and other current liabilities, and \$25.6 million represents the noncurrent obligation, which is included in unearned revenue and other noncurrent liabilities.

The estimated outlays include costs of: (a) \$3.2 million associated with pre-cleanup activities including engineering studies, site investigation, corrective measures feasibility study, and the design of a remediation plan; (b) \$29.0 million related to cleanup activities, such as neutralization, containment, removal and disposal of pollutants, and restoration; (c) \$3.4 million for the external government oversight and enforcement-related activities; and (d) \$0.8 million for the post-remediation monitoring.

13. OTHER OPERATING REVENUES

Other operating revenues comprise the following *(in millions)*:

	YEARS ENDED JUNE 30,	
	2020	2019
Lease and rental	\$27.4	\$28.1
Advertising	15.1	18.2
Metro-North operations	10.5	14.5
Other	25.1	21.1
Subtotal	<u>\$78.1</u>	<u>\$81.9</u>
Less Bad Debt Expense	(2.1)	(0.6)
Net Other Operating Revenue	<u>\$76.0</u>	<u>\$81.3</u>

14. INJURY AND DAMAGE CLAIMS

As of June 30, 2020, NJ TRANSIT maintained \$355.0 million excess commercial general liability program with a self-insured retention of \$10 million. Additionally, NJ TRANSIT maintains an excess workers' compensation program with a self-insured retention of \$2 million. Employment-practice claims exceeding \$500,000 up to \$10 million are covered by a stand-alone commercial insurance policy. On October 14, 2004, ARH III Insurance Company, Inc., a wholly owned subsidiary of NJ TRANSIT, was formed. This captive insurance company provides coverage for Federal Employee Liability Act and Third Party Rail and Bus and Property, Certified Terrorism Risk Insurance Act ("TRIA") casualty exposures, and workers compensation consequently reducing NJ TRANSIT's self-insured retention and transferring the agency's financial liability in these areas.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The details of the captive insurance program are provided in the table below:

Policy Year	Insurance Company	Coverage	Per Occurrence Retention
7/1/2019-7/1/2020	ARH III Insurance Company	Third Party Bus	\$5,000,000
7/1/2019-7/1/2020	ARH III Insurance Company	Third Party Rail	\$10,000,000
7/1/2019-7/1/2020	ARH III Insurance Company	Federal Employers Liability Act (FELA)	\$10,000,000
7/1/2019-7/1/2020	ARH III Insurance Company	Workers' Compensation	\$2,000,000
7/1/2019-7/1/2020	ARH III Insurance Company	Third Party Bus	\$5,000,000

NJ TRANSIT has recorded an estimated liability of \$334.7 million as of June 30, 2020 for outstanding public liability, property damage, FELA, workers' compensation, and employment practice claims. Of these amounts, \$52.5 million is included in other current liabilities as of June 30, 2020 (see Note 8).

The liability is based on NJ TRANSIT's past loss experience. NJ TRANSIT believes the liability established is reasonable and appropriate to provide for settlement of losses and related loss expenses. Management believes that its reserves for claims incurred but not reported is determined in accordance with generally accepted actuarial principles and practices. However, estimating the ultimate liability is a complex and judgmental process inasmuch as the amounts are based on management's informed estimates and judgments using data currently available. As additional experience and data become available regarding claim payments and reporting patterns, legislative developments and economic conditions, the estimates are revised accordingly, and the impact is reflected currently in NJ TRANSIT's financial statements.

The total claims liability activity for the year ended June 30, 2020 and 2019 was as follows *(in millions)*:

	AS OF JUNE 30,	
	2020	2019
Beginning Balance, June 30, as previously reported	\$289.7	\$193.8
Prior period adjustments (unaudited)	—	88.7
Beginning Balance, June 30, as restated	289.7	282.5
Changes for the year:		
Claims expense	109.5	87.6
Claims payments	(64.5)	(80.4)
Net Changes	45.0	7.2
Ending Balance, June 30	\$334.7	\$289.7

15. FEDERAL GRANTS

The Urban Mass Transportation Act of 1964, as amended by ISTEA, TEA-21, SAFETEA-LU, MAP-21, and FAST ACT provides funding to NJ TRANSIT primarily for capital needs, based upon a defined formula grant program. Generally, such funds may be utilized for no more than 80 percent of the project costs for capital assistance or 50 percent for operating assistance. Funds are apportioned to NJ TRANSIT annually, and generally are available until expended.

NJ TRANSIT also receives discretionary capital grant awards to supplement the capital assistance obtained from the defined formula grant programs. Such discretionary awards are generally limited to projects for equipment acquisition, continued system expansion and modernization, or construction of major facilities.

The Coronavirus Disease 2019 (COVID-19) public health emergency has significantly impacted public transportation operations throughout the nation. On May 15, 2020, NJ TRANSIT received a total of \$1.4 billion in Coronavirus Aid, Relief, and Economic Security (CARES) Act grants from the Federal Transit Administration (FTA). These funds were made available for the operating expenses of transit agencies to prevent, prepare for and respond to the COVID-19 emergency, including the purchase of personal protective equipment, sanitization and disinfection of facilities and equipment and paying the administrative leave of operations personnel.

On May 19, 2020, management began drawing funds necessary to meet its daily operating expenses. In general, operating expenses are those costs necessary to operate, maintain, and manage a public transportation system. Operating expenses include such costs as driver salaries, fuel, and items having a useful life of less than one year, including personal protective equipment and cleaning supplies. CARES Act funds are available for expenses incurred from January 20, 2020 until the grant amount is expended. The Federal reimbursement rate for this grant is 100 percent of eligible expenses.

16. BLENDED COMPONENT UNIT – ARH III INSURANCE COMPANY, INC.

ARH III Insurance Company, Inc. (ARH), a non-profit special purpose captive insurance company domiciled in the State of South Carolina, was established to limit certain risk exposures of NJ TRANSIT (the “Parent”).

The Company insures the Parent for the following coverages: Federal Employee Liability Act (“FELA”) and Third Party Rail and Bus, and Property, Certified Terrorism Risk Insurance Act (“TRIA”) casualty exposures, workers compensation. The Company’s limits of liability for each line of coverage since inception are as follows:

Limits of Liability		
Casualty		
Buses	2018-2020	\$5 million excess \$10 million
FELA and Rail	2018-2020	\$10 million excess \$5 million
TRIA	2018-2020	\$14 million excess \$1 million
Excess Liability	2019-2020	\$2 million excess \$183 million \$3 million excess \$275 million \$22.5 million excess \$300 million

Under the TRIA coverage, reinsurance is provided by the United States Government on a quota share basis for 80% in 2020 and 81% in 2019 of any certified loss as provided by TRIA, as amended. If, at any time during the policy period, TRIA is canceled or not renewed, the Company’s policy will be automatically cancelled at the same date and time.

Coverage is provided on a claims-made basis.

In a prior year, the Company entered into a loss portfolio transfer with Liberty Mutual Insurance Company (“Liberty”) assuming reserves related to claims for the Parent’s worker compensation policy with Liberty for the policy year July 1, 2007 through July 1, 2008. This transfer of liability included certain open claims, which remain open, from prior to the beginning of the policy period although no claims have entered the Company’s coverage layer. The Company’s limits under the contract are \$2.5 million excess \$5.0 million per employee.

The financial results for ARH III Insurance Company, Inc. as of and for the year ended June 30, 2020 and June 30, 2019 are set forth below. Since the ARH prepares the financial statements under FASB guidance, the amounts and format of financial statements have been adjusted to reflect GASB requirements. The condensed statement of net position and the statement of revenues, expenses,

and changes in net position as of and for the years ended June 30, 2020 and June 30, 2019 are as follows (*in millions*):

CONDENSED STATEMENTS OF NET POSITION

	AS OF JUNE 30,	
	2020	2019
Current assets	\$62.4	\$61.3
Non-current assets	—	—
Total Assets	62.4	61.3
Non-current liabilities	30.4	33.9
Total Liabilities	30.4	33.9
Total Net Position	\$32.0	\$27.4

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	YEAR ENDED JUNE 30,	
	2020	2019
Operating revenues	\$2.4	\$2.7
Operating expenses	(0.2)	3.8
Operating income (loss)	2.6	(1.1)
Non-operating revenues	2.0	3.4
Change in Net Position	4.6	2.3
Total Net Position, Beginning	27.4	25.1
Total Net Position, Ending	\$32.0	\$27.4

CONDENSED STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30,	
	2020	2019
Cash Flows from Operating Activities		
Operating loss	\$2.6	\$(1.1)
Changes in assets and liabilities	(3.6)	3.7
Net Cash Provided by Operating Activities	(1.0)	2.6
Cash Flows from Investing Activities		
Sales and maturities of investments	5.6	10.7
Purchases of investments	(8.6)	(12.4)
Interest on investments	2.0	1.4
Net Cash Used in Investing Activities	(1.0)	(0.3)
Net (Decrease)/Increase in Cash and Cash Equivalents	(2.0)	2.3
Cash and Cash Equivalents Beginning of Year	3.5	1.2
End of Year	\$1.5	\$3.5

17. CONTINGENCIES

NJ TRANSIT is a defendant in a number of lawsuits arising from claims for personal injury, property damage, breach of contract, civil rights, and personnel matters. Management believes that the ultimate resolution of these matters will not have a material adverse impact on the financial position results of operations and cash flows of NJ TRANSIT.

NJ TRANSIT is addressing environmental issues at several locations within the State where, by virtue of ownership or use, NJ TRANSIT has a remediation responsibility. Management has analyzed all of these matters and has provided for amounts, which it currently believes are adequate. In management's opinion, the ultimate liability, if any, will have no material effect on the results of operations, cash flows and financial position of NJ TRANSIT (see Note 12).

NJ TRANSIT receives federal (including CARES Act) and state grants and appropriations for capital projects and other reimbursable activities that are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits will not have a material effect on the results of operations, cash flows and financial position of NJ TRANSIT.

18. ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES

During the year, NJ TRANSIT had three multiple commodity swap agreements with financial institutions to protect against market fluctuations in the price of diesel fuel and heating oil. These fuel-related derivative transactions are executed in accordance with the policies and procedures established by NJ TRANSIT's Swap Management Plan (SMP). The primary objective of the SMP Policy was to set forth policies and procedures for the execution and management of interest rate swaps, fuel swaps and related agreements, provide for security and payment provisions and set forth certain other provisions related to swap agreements between NJ TRANSIT and qualified swap counterparties.

The SMP policy explicitly prohibits NJ TRANSIT from entering into new interest or payment swaps. Existing swaps may be amended or terminated as determined by senior management of NJ TRANSIT. Under the terms of this plan, NJ TRANSIT will only enter into new fuel swaps.

NJ TRANSIT will competitively bid fuel swaps to financial institutions subject to compliance with applicable state and federal laws with the assistance of its Qualified Independent Representative (QIR).

NJ TRANSIT may enter into one or more fuel swaps from time to time to protect itself from uncontrolled variations in the price of diesel fuel. NJ TRANSIT will not enter into fuel swaps for speculative purposes.

The following risks are generally associated with commodity swap agreements:

Counterparty Risk – The risk that the swap counterparty will not fulfill its obligations under the swap contract. To mitigate such exposure NJ TRANSIT will consider limiting exposure to any one counterparty.

Termination Risk – The risk that the underlying swap transactions will not run to maturity due to a counterparty event. To minimize this risk, NJ TRANSIT will not enter into swaps where the counterparty has an option to terminate absent a default by NJ TRANSIT.

If a swap does terminate prior to maturity because of a counterparty default or ratings event, a mark-to-market termination payment may be required. Prior to NJ TRANSIT making any termination payment, NJ TRANSIT will examine all options to eliminate or reduce the amount of the termination payment.

The procedure for the posting of collateral including the acceptable securities and ratings for the third-party Trustee, to the extent practicable, shall be detailed in the Credit Support Annex agreed upon in advance of entering into the swap transaction.

As a counterparty, NJ TRANSIT will be required to post collateral should the calculated amount of all open positions exceed an agreed upon "Threshold" level.

Basis Risk – Refers to the risk that price fluctuations of the indexed product do not correlate perfectly to those of the physical product. To minimize this risk, the price index upon which the diesel fuel swaps will be based will be the monthly average settlement price for diesel fuel futures on the New York Mercantile Exchange ("NYMEX") for the delivery of physical diesel fuel in New York Harbor.

Cash Flow Risk – Refers to the risk that NJ TRANSIT may (in the short term) experience a cash flow outflow even though fuel prices are falling. Should there be a very significant drop in the price of all open contracts (exceeding the threshold amount) NJ TRANSIT would have to post collateral for all contracts but would only see the benefits of falling prices on current deliveries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2020, the fair value of NJ TRANSIT's commodity swaps which are within the Level 2 category of the fair value hierarchy are as follows:

Notional Amount (Gallons)	Effective Date	Maturity Date	Fair Value 06/30/20	Terms (Per Gallon) Receive	Terms (Per Gallon) Pay
Counterparty: Goldman Sachs					
6,132,000	09/01/21	11/05/21	\$500,505	Floating	1.4260
8,568,000	02/01/21	05/07/21	<u>4,553,652</u>	Floating	1.8180
			<u>\$5,054,157</u>		
Counterparty: Bank of America Merrill Lynch					
3,024,000	09/01/20	09/31/20	\$1,849,754	Floating	1.8339
2,940,000	10/01/20	10/31/20	1,748,039	Floating	1.8339
3,150,000	08/01/20	08/31/20	1,985,171	Floating	1.8339
3,108,000	07/01/20	07/31/20	2,011,964	Floating	1.8339
2,856,000	11/01/20	11/30/20	1,809,959	Floating	1.8865
2,982,000	12/01/20	12/31/20	1,849,806	Floating	1.8865
2,898,000	01/01/20	01/31/21	1,767,537	Floating	1.8865
3,150,000	06/01/20	06/30/21	1,246,079	Floating	1.7030
3,024,000	05/01/20	05/31/21	1,233,706	Floating	1.7030
3,066,000	07/01/20	07/31/21	1,177,312	Floating	1.7030
3,108,000	08/01/20	08/31/21	<u>1,161,767</u>	Floating	1.7030
			<u>17,841,094</u>		
		Total Commodity Swaps	<u>\$22,895,251</u>		

As of June 30, 2019, the fair value of NJ TRANSIT's commodity swaps which are within the Level 2 category of the fair value hierarchy are as follows:

Notional Amount (Gallons)	Effective Date	Maturity Date	Fair Value 06/30/19	Terms (Per Gallon) Receive	Terms (Per Gallon) Pay
Counterparty: Goldman Sachs					
12,096,000	11/28/18	07/07/20	\$193,405	Floating	1.6097
9,072,000	10/01/19	12/31/19	3,156,585	Floating	1.6097
6,048,000	10/01/20	02/29/20	<u>2,185,410</u>	Floating	1.5875
			<u>\$5,535,400</u>		
Counterparty: Bank of America Merrill Lynch					
3,024,000	07/01/19	07/31/19	\$967,905	Floating	1.6185
3,024,000	08/01/19	08/31/19	989,575	Floating	1.6185
3,024,000	09/01/19	09/30/19	<u>1,007,631</u>	Floating	1.6185
			<u>2,965,111</u>		
		Total Commodity Swaps	<u>\$8,500,511</u>		

19. COVID-19 UPDATE

On March 12, 2020, the World Health Organization declared the current novel coronavirus (“COVID-19” or “coronavirus”) outbreak to be a pandemic in the face of the global spread of the virus. On March 9, 2020, Governor Murphy declared a State of Emergency in the State of New Jersey in response to COVID-19 ahead of the WHO declaration of a global pandemic. On March 13, 2020, President Trump declared a national state of emergency as a result of the COVID-19 pandemic. By order of Governor Murphy all non-essential businesses statewide were required to be closed, among other travel restrictions and social distancing related measures. The impact of travel restrictions, social distancing and subsequent State governmental orders limiting non-essential activities, caused by the COVID-19 pandemic, resulted in a sharp decline in the utilization of NJ TRANSIT services, dramatic declines in both the NJ TRANSIT public transportation system ridership and fare revenues. Further, NJ TRANSIT experienced increases in costs incurred by management to respond to and reduce threats to the health and safety of the public and NJ TRANSIT employees.

In response to the unprecedented COVID-19 pandemic, NJ TRANSIT organized a task force to assess the operational and financial impacts; focusing on ridership safety and public information, safe operation and disinfection of equipment and facilities for the protection of both the public customers and NJ TRANSIT employees, operating revenue, and COVID-19 related expenses, resulting from the outbreak and related stay-at-home orders.

Declines in system ridership compared to the prior year began steeply in March 2020 and continued at significantly lower levels during April 2020 and May 2020. At the end of fiscal year 2020, Bus and Rail ridership began seeing signs of recovery. NJ TRANSIT continues to assess the impacts of the COVID-19 pandemic and build its road back to normal business. In July and August 2020, ridership continued to increase, showing improvements from the steep declines in the Spring of 2020.

During the height of the COVID-19 pandemic, temporary service adjustments were made to all Rail, Bus and Light Rail lines. At the end of September 2020, Bus, Light Rails and Access Link services were all operating on a regular weekday schedule.

NJ TRANSIT’s revenue from ticket sales made up 41% and 43% of the operating budget for FY2020 and FY2019, respectively. In addition to passenger fare revenue losses, other areas of potentially significant revenue

and expense exposures have been identified, such as reductions of advertising revenue, parking and rental revenue, and the other contract revenues, as well as incremental costs incurred in management, control and reduction of threats to the health and safety of the public and NJ TRANSIT employees.

To help offset operating expenses and increasing costs, NJ TRANSIT management petitioned New Jersey Congressional Delegation for Federal assistance on March 19, 2020. Under Division B, Title XII of the CARES Act, the Federal Transit Administration (FTA) was provided with \$25 billion in “Transit Infrastructure Grants” to prevent, prepare for and respond to coronavirus. Subsequently, the Federal Transit Administration awarded NJ TRANSIT \$1.4 billion in CARES Act financial assistance on May 15, 2020.

These funds, made available to eligible recipients through Section 5307 and 5311 grants, are to remain available until expended. The CARES act allows for funds to be expended on operating expenses of transit agencies related to the response to a coronavirus public health emergency beginning on January 20, 2020, including but not limited to the purchase of personal protective equipment, sanitization and disinfection of facilities and equipment and paying the administrative leave of operations personnel. In general, operating expenses are those costs necessary to operate, maintain, and manage a public transportation system. Operating expenses include such costs as driver salaries, fuel, and items having a useful life of less than one year. The Federal share of the costs under the CARES Act is 100 percent.

NJ TRANSIT continues to monitor its liquidity to meet its operational and capital cash needs. Since June 30, 2020, reimbursements from the CARES Act and other sources of funding have been sufficient to cover operating needs. As of June 30, 2020, NJ TRANSIT has drawn down a total of \$360.8 million for CARES Act reimbursements related to eligible costs. As of October 27, 2020, the cumulative draw down under CARES Act was \$680.7 million and the balance of this grant for future use was \$742.8 million.

In January 2020, NJ TRANSIT secured a \$300 million line of credit facility. There has been no drawdowns on the line of credit since July 1, 2020. As of October 27, 2020, \$300 million is available for drawdown on the line of credit.

NJ TRANSIT along with other transportation agencies are seeking additional support from the Federal government under a second request made on May 12, 2020 for an additional \$1.2 billion; however, management

has determined future liquidity projections, absent receipt of additional Federal funding, are sufficient to meeting operating, capital and debt service requirements for at least a period of 12 months from June 30, 2020.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events for NJ TRANSIT through October 27, 2020, the date the financial statements were available to be issued. No events, beyond those described below, have occurred which would have a material effect on NJ TRANSIT's financial statements.

The Board of Directors of NJ TRANSIT passed a Fiscal Year 2021 Operating Budget on October 21, 2020 that included subsidies from the State of New Jersey's General Fund (\$386.1 million), the State of New Jersey's Clean Energy Fund (\$82 million), and the New Jersey Turnpike Authority (\$129 million).

In or around April 2020, the State of New Jersey received funding through the Coronavirus Relief Fund (CRF) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and allocated \$30 million to NJ TRANSIT in September 2020. The CRF is designed to provide funding to address necessary expenditures incurred due to the COVID-19 public health emergency that were not accounted for in the budget. Use of payments from the CRF include, but are not limited to the following cost categories: labor and fringe benefits, expenses for disinfection of public areas and other facilities; expenses to improve telework capabilities for public employees; costs of providing COVID-19 testing; and expenses for technical assistance. NJ TRANSIT is also pursuing potential reimbursement opportunities with the Federal Emergency Management Administration (FEMA) for "Category B" protective measures, as well as other opportunities to support planning, capital and operations.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Changes in Net Pension Liability and Related Ratios for NJ TRANSIT Sponsored Single-Employer Defined Benefit Plans Last Ten Fiscal Years (\$ in millions)

For the year ended June 30, 2020	ATU	TERP	UWUA (UCA)
Total pension liability			
Service cost	\$33.0	\$6.3	\$—
Interest	114.6	58.4	0.6
Change of benefit terms	18.7	—	—
Differences between expected and actual experience	3.2	10.9	0.2
Change of assumptions	(9.1)	16.5	—
Benefit payments, including refunds of employee contributions	<u>(88.6)</u>	<u>(50.7)</u>	<u>(0.7)</u>
Net change in total pension liability	71.8	41.4	0.1
Total pension liability – beginning	<u>1,494.2</u>	<u>799.5</u>	<u>8.3</u>
Total pension liability – ending (a)	<u>\$1,566.0</u>	<u>\$840.9</u>	<u>\$8.4</u>
Plan fiduciary net position			
Contributions – employer	\$54.4	\$34.9	\$0.2
Contributions – employee	13.5	1.5	—
Net investment income	54.9	24.8	0.5
Benefit payments including refunds of employee contributions	(88.6)	(50.7)	(0.7)
Administrative expense	<u>(0.2)</u>	<u>(0.2)</u>	<u>—</u>
Net change in plan fiduciary net position	34.0	10.3	0.0
Plan fiduciary net position – beginning	<u>1,158.5</u>	<u>553.8</u>	<u>6.7</u>
Plan fiduciary net position – ending (b)	<u>\$1,192.5</u>	<u>\$564.1</u>	<u>\$6.7</u>
Net pension liability – ending (a) – (b)	<u>\$373.5</u>	<u>\$276.8</u>	<u>\$1.7</u>
Plan fiduciary net position as a percentage of the total pension liability	76.15%	67.08%	79.76%
Covered payroll	\$350.5	\$73.4	\$0.5
Net pension liability as percentage of covered payroll	106.56%	377.11%	340.00%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

For the year ended June 30, 2019	ATU	TERP	UWUA (UCA)
Total pension liability			
Service cost	\$31.4	\$6.7	\$—
Interest	111.1	56.8	0.5
Change of benefit terms	—	—	—
Differences between expected and actual experience	(12.2)	7.7	0.1
Change of assumptions	—	—	—
Benefit payments, including refunds of employee contributions	<u>(83.2)</u>	<u>(47.4)</u>	<u>(0.6)</u>
Net change in total pension liability	47.1	23.8	0.0
Total pension liability – beginning	<u>1,447.1</u>	<u>775.7</u>	<u>8.3</u>
Total pension liability – ending (a)	<u>\$1,494.2</u>	<u>\$799.5</u>	<u>\$8.3</u>
Plan fiduciary net position			
Contributions – employer	\$49.1	\$35.6	\$0.2
Contributions – employee	12.6	1.5	—
Net investment income	90.5	42.4	0.4
Benefit payments including refunds of employee contributions	(83.2)	(47.4)	(0.6)
Administrative expense	<u>(0.3)</u>	<u>(0.2)</u>	<u>—</u>
Net change in plan fiduciary net position	68.7	31.9	—
Plan fiduciary net position – beginning	<u>1,089.8</u>	<u>521.9</u>	<u>6.7</u>
Plan fiduciary net position – ending (b)	<u>\$1,158.5</u>	<u>\$553.8</u>	<u>\$6.7</u>
Net pension liability – ending (a) – (b)	<u>\$335.7</u>	<u>\$245.7</u>	<u>\$1.6</u>
Plan fiduciary net position as a percentage of the total pension liability	77.53%	69.27%	80.72%
Covered payroll	\$334.2	\$77.1	\$0.5
Net pension liability as percentage of covered payroll	100.45%	318.68%	320.00%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2018	ATU	TERP	UWUA (UCA)
Total pension liability			
Service cost	\$29.3	\$7.2	\$0.1
Interest	95.1	54.1	0.6
Change of benefit terms	102.3	—	—
Differences between expected and actual experience	15.0	11.8	—
Change of assumptions	14.6	1.1	—
Benefit payments, including refunds of employee contributions	<u>(79.8)</u>	<u>(44.1)</u>	<u>(0.6)</u>
Net change in total pension liability	176.5	30.1	0.1
Total pension liability – beginning	<u>1,270.6</u>	<u>745.6</u>	<u>8.2</u>
Total pension liability – ending (a)	<u>\$1,447.1</u>	<u>\$775.7</u>	<u>\$8.3</u>
Plan fiduciary net position			
Contributions – employer	\$45.8	\$33.9	\$0.2
Contributions – employee	11.9	1.6	—
Net investment income	109.3	47.0	0.6
Benefit payments including refunds of employee contributions	(79.8)	(44.1)	(0.6)
Administrative expense	(0.3)	(0.2)	—
Other*	<u>70.5</u>	<u>—</u>	<u>—</u>
Net change in plan fiduciary net position	157.4	38.2	0.2
Plan fiduciary net position – beginning	<u>932.4</u>	<u>483.7</u>	<u>6.5</u>
Plan fiduciary net position – ending (b)	<u>\$1,089.8</u>	<u>\$521.9</u>	<u>\$6.7</u>
Net pension liability – ending (a) – (b)	<u>\$357.3</u>	<u>\$253.8</u>	<u>\$1.6</u>
Plan fiduciary net position as a percentage of the total pension liability	75.31%	67.29%	80.72%
Covered payroll	\$321.2	\$81.3	\$0.5
Net pension liability as percentage of covered payroll	111.24%	312.18%	320.00%

*Includes the accretion of Mercer effective April 2, 2016 and the accretion of TWU-UTU effective July 30, 2016, which were merged into the Plan in this fiscal year.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2017	ATU	TERP	TWU	MERCER	UWUA (UCA)
Total pension liability					
Service cost	\$25.5	\$6.7	\$1.1	\$1.0	\$0.1
Interest	88.7	53.5	3.8	3.4	0.6
Change of benefit terms	45.0	—	—	(0.8)	—
Differences between expected and actual experience	2.6	0.5	(0.5)	—	—
Change of assumptions	31.4	35.2	1.2	1.0	0.3
Benefit payments, including refunds of employee contributions	<u>(69.5)</u>	<u>(41.5)</u>	<u>(3.0)</u>	<u>(2.5)</u>	<u>(0.6)</u>
Net change in total pension liability	123.7	54.4	2.6	2.1	0.4
Total pension liability – beginning	<u>1,146.9</u>	<u>691.2</u>	<u>49.3</u>	<u>43.8</u>	<u>7.8</u>
Total pension liability – ending (a)	<u>\$1,270.6</u>	<u>\$745.6</u>	<u>\$51.9</u>	<u>\$45.9</u>	<u>\$8.2</u>
Plan fiduciary net position					
Contributions – employer	\$44.9	\$30.7	\$1.8	\$2.5	\$0.2
Contributions – employee	11.0	1.6	0.3	0.2	—
Net investment income	4.0	4.1	0.5	0.4	0.1
Benefit payments including refunds of employee contributions	(69.5)	(41.5)	(3.0)	(2.5)	(0.6)
Administrative expense	<u>(0.3)</u>	<u>(0.3)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in plan fiduciary net position	(9.9)	(5.4)	(0.4)	0.6	(0.3)
Plan fiduciary net position – beginning	<u>942.3</u>	<u>489.1</u>	<u>41.9</u>	<u>28.5</u>	<u>6.8</u>
Plan fiduciary net position – ending (b)	<u>\$932.4</u>	<u>\$483.7</u>	<u>\$41.5</u>	<u>\$29.1</u>	<u>\$6.5</u>
Net pension liability – ending (a) – (b)	<u>\$338.2</u>	<u>\$261.9</u>	<u>\$10.4</u>	<u>\$16.8</u>	<u>\$1.7</u>
Plan fiduciary net position as a percentage of the total pension liability	73.38%	64.87%	79.96%	63.40%	79.27%
Covered payroll	\$268.2	\$86.9	\$12.0	\$9.6	\$0.5
Net pension liability as percentage of covered payroll	126.10%	301.38%	86.67%	175.00%	340.00%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2016	ATU	TERP	TWU	MERCER	UWUA (UCA)
Total pension liability					
Service cost	\$25.3	\$7.2	\$1.1	\$1.0	\$0.1
Interest	85.9	51.1	3.8	3.3	0.6
Differences between expected and actual experience	(9.2)	11.6	(1.3)	(0.4)	0.1
Benefit payments, including refunds of employee contributions	<u>(63.7)</u>	<u>(38.1)</u>	<u>(2.9)</u>	<u>(2.5)</u>	<u>(0.6)</u>
Net change in total pension liability	38.3	31.8	0.7	1.4	0.2
Total pension liability – beginning	<u>1,108.6</u>	<u>659.4</u>	<u>48.6</u>	<u>42.4</u>	<u>7.6</u>
Total pension liability – ending (a)	<u>\$1,146.9</u>	<u>\$691.2</u>	<u>\$49.3</u>	<u>\$43.8</u>	<u>\$7.8</u>
Plan fiduciary net position					
Contributions – employer	\$44.0	\$29.5	\$1.3	\$2.1	\$0.2
Contributions – employee	6.9	1.8	0.3	0.2	—
Net investment income	33.0	9.2	0.6	0.5	0.1
Benefit payments including refunds of employee contributions	(63.7)	(38.1)	(2.9)	(2.5)	(0.6)
Administrative expense	<u>(3.2)</u>	<u>(1.8)</u>	<u>(0.2)</u>	<u>(0.1)</u>	<u>—</u>
Net change in plan fiduciary net position	17.0	0.6	(0.9)	0.2	(0.3)
Plan fiduciary net position – beginning	<u>925.3</u>	<u>488.5</u>	<u>42.8</u>	<u>28.3</u>	<u>7.1</u>
Plan fiduciary net position – ending (b)	<u>\$942.3</u>	<u>\$489.1</u>	<u>\$41.9</u>	<u>\$28.5</u>	<u>\$6.8</u>
Net pension liability – ending (a) – (b)	<u>\$204.6</u>	<u>\$202.1</u>	<u>\$7.4</u>	<u>\$15.3</u>	<u>\$1.0</u>
Plan fiduciary net position as a percentage of the total pension liability	82.16%	70.76%	84.99%	65.07%	87.18%
Covered payroll	\$268.9	\$92.3	\$11.9	\$9.5	\$1.0
Net pension liability as percentage of covered payroll	76.09%	218.96%	62.18%	161.05%	100.00%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

For the year ended June 30, 2015	ATU	TERP	TWU	MERCER	UWUA (UCA)
Total pension liability					
Service cost	\$23.4	\$6.6	\$1.1	\$0.9	\$0.1
Interest	80.2	48.4	3.5	3.1	0.6
Differences between expected and actual experience	32.0	16.4	1.5	1.3	0.3
Benefit payments, including refunds of employee contributions	<u>(58.9)</u>	<u>(34.8)</u>	<u>(2.8)</u>	<u>(2.4)</u>	<u>(0.5)</u>
Net change in total pension liability	76.7	36.6	3.3	2.9	0.5
Total pension liability – beginning	<u>1,031.9</u>	<u>622.8</u>	<u>45.3</u>	<u>39.5</u>	<u>7.1</u>
Total pension liability – ending (a)	<u>\$1,108.6</u>	<u>\$659.4</u>	<u>\$48.6</u>	<u>\$42.4</u>	<u>\$7.6</u>
Plan fiduciary net position					
Contributions – employer	\$44.8	\$19.3	\$1.3	\$1.8	\$0.2
Contributions – employee	6.5	1.8	0.3	0.2	—
Net investment income	134.5	65.4	6.0	3.9	1.0
Benefit payments	(58.9)	(34.8)	(2.8)	(2.4)	(0.5)
Administrative expense	<u>(3.1)</u>	<u>(1.9)</u>	<u>(0.2)</u>	<u>(0.1)</u>	<u>—</u>
Net change in plan fiduciary net position	123.8	49.8	4.6	3.4	0.7
Plan fiduciary net position – beginning	<u>801.4</u>	<u>438.7</u>	<u>38.2</u>	<u>24.9</u>	<u>6.4</u>
Plan fiduciary net position – ending (b)	<u>\$925.2</u>	<u>\$488.5</u>	<u>\$42.8</u>	<u>\$28.3</u>	<u>\$7.1</u>
Net pension liability – ending (a) – (b)	<u>\$183.4</u>	<u>\$170.9</u>	<u>\$5.8</u>	<u>\$14.1</u>	<u>\$0.5</u>
Plan fiduciary net position as a percentage of the total pension liability	83.46%	74.08%	88.07%	66.75%	93.42%
Covered payroll	\$268.4	\$97.2	\$11.2	\$9.5	\$1.1
Net pension liability as percentage of covered payroll	68.33%	175.82%	51.79%	148.42%	45.45%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Pension Contributions for NJ TRANSIT Sponsored Single-Employer Defined Benefit Plans Last Ten Fiscal Years (\$ in millions)

Amalgamated Transit Union Employees Retirement Plan

Years Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2020	\$58.3	\$54.4	\$3.9	\$350.5	15.52%
2019	54.1	49.1	5.0	334.2	14.69
2018	54.4	45.8	5.1	321.2	14.26
2017	45.2	41.7	3.5	290.3	14.36
2016	41.7	44.9	(3.2)	268.2	16.74
2015	44.9	44.0	0.9	268.9	16.36
2014	44.0	44.8	(0.8)	268.4	16.69
2013	44.8	44.8	—	266.2	16.82
2012	41.5	41.5	—	259.9	15.98
2011	43.4	43.4	—	269.9	16.09

Non-Agreement Employees Retirement Plan

Years Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2020	\$39.2	\$34.9	\$4.3	\$73.4	47.55%
2019	34.9	35.6	(0.7)	77.1	46.17
2018	35.6	33.9	1.7	81.2	41.70
2017	33.9	33.9	—	81.3	41.70
2016	30.7	30.7	—	86.9	35.33
2015	29.5	29.5	—	92.3	31.96
2014	36.4	19.3	17.1	97.2	19.84
2013	36.7	36.7	—	102.9	35.69
2012	35.1	35.1	—	106.9	32.81
2011	34.0	34.0	—	111.5	30.51

Utility Worker's Union of America Employee Retirement Plan

Years Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2020	\$0.3	\$0.2	\$0.1	\$0.5	40.00%
2019	0.2	0.2	—	0.5	40.00
2018	0.2	0.2	—	0.5	40.00
2017	0.2	0.2	—	0.5	40.00
2016	0.2	0.2	—	1.0	20.00
2015	0.2	0.2	—	1.0	20.00
2014	0.2	0.2	—	1.1	18.18
2013	0.2	0.2	—	1.0	20.00
2012	0.2	0.2	—	1.0	20.00
2011	0.2	0.2	—	1.1	18.18

NOTES TO SCHEDULE

Valuation date: Actuarial determined contribution rates are calculated as of July 1, of each year in which contributions are reported.

Methods and assumptions used to determine the actuarially determined employer contributions rates:

Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	ATU: Amortize change in unfunded liabilities established after July 1, 2016 each over a 15-year period from date of origination. TERP and UWUA(UCA): Amortize the change in unfunded liabilities established after July 1, 2014 each over a 15-year period from date of origination.
Remaining Amortization Period	ATU: 12 years remaining as of July 1, 2019 of the initial unfunded liabilities established as of July 1, 2016. Each subsequent change in the unfunded liability has one more year remaining. TERP and UWUA(UCA): 10 years remaining as of July 1, 2019 of the initial unfunded liabilities established as of July 1, 2014. Each subsequent change in the unfunded liability has one more year remaining.
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	7.50% for TERP and UWUA; 7.75% for ATU, net of pension plan investment expense, including inflation
Inflation	3.00%
Salary Increases	3.00% plus age and service based merit increases
Mortality	ATU and UWUA(UCA): The mortality tables projected to July 1, 2019 under Scale MP-2019 reasonably reflect the projected mortality experience of the Plan as of the measurement date. The mortality tables were further adjusted to future years using generational projection under Scale MP-2019 to reflect future mortality improvement. TERP: The mortality assumption was updated to a 50/50 blend of the RP-2006 Blue Collar Mortality Tables and RP-2006 White Collar Mortality Tables with generational projection from 2006 using Scale MP-2019.
Plan Changes	ATU: A 2.5% increase in monthly pension benefit for participants or the beneficiaries of deceased participants who have a retirement date effective on or before November 1, 2018.

Schedule of NJ TRANSIT's Proportionate Share of the Net Pension Liability for Cost-Sharing Multiple-Employer Defined Benefit Plans

Last Ten Fiscal Years (\$ in millions)

For the years ended June 30	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PERS</u>						
The Proportion of Net Pension Liability	0.0614590%	0.0595627%	0.0544837%	0.0509198%	0.0505610%	0.0500749%
The Proportionate Share of Net Pension Liability	\$11.1	\$11.7	\$12.7	\$15.1	\$11.3	\$9.4
Covered Payroll	\$5.5	\$5.5	\$4.6	\$4.1	\$3.8	\$3.5
Proportionate Share of Net Pension Liability as a Percentage of its covered payroll	201.8%	212.7%	276.1%	368.3%	297.4%	268.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	42.04%	40.44%	36.78%	31.20%	38.21%	42.74%
<u>PFRS</u>						
The Proportion of Net Pension Liability	0.7363782%	0.6647348%	0.6662963%	0.6338143%	0.6457926%	0.6491325%
The Proportionate Share of Net Pension Liability	\$90.1	\$89.9	\$102.9	\$121.1	\$107.6	\$81.6
The State's Proportionate Share of the Net Pension Liability Associated with NJ TRANSIT	<u>14.2</u>	<u>12.2</u>	<u>11.5</u>	<u>10.1</u>	<u>9.4</u>	<u>8.8</u>
Total	<u>\$104.3</u>	<u>\$102.1</u>	<u>\$114.4</u>	<u>\$131.2</u>	<u>\$117.0</u>	<u>\$90.4</u>
Covered Payroll	\$27.6	\$25.4	\$25.1	\$22.7	\$21.7	\$20.6
Proportionate Share of Net Pension Liability as a Percentage of its covered payroll	377.9%	402.0%	455.7%	578.0%	539.2%	438.8%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.20%	57.91%	54.52%	48.55%	52.84%	58.86%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions for Cost-Sharing Multiple-Employer Defined Benefit Plans Last Ten Fiscal Years (\$ in millions)

Public Employees Retirement System

Years Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2020	\$0.6	\$0.7	(\$0.1)	\$5.5	12.73%
2019	0.6	0.7	—	5.5	12.73
2018	0.6	0.6	—	4.6	13.04
2017	0.6	0.6	—	4.1	14.63
2016	0.5	0.5	—	3.8	13.16
2015	0.5	0.5	—	3.6	13.89
2014	0.4	0.4	—	3.5	11.43
2013	0.4	0.4	—	3.5	11.43
2012	0.5	0.5	—	3.1	16.13
2011	0.4	0.4	—	3.1	12.90

Police and Firemen's Retirement System

Years Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2020	\$7.4	\$8.4	(\$0.1)	\$27.6	30.43%
2019	6.5	6.8	(0.3)	25.4	26.77
2018	6.2	6.2	—	25.1	24.70
2017	5.7	5.7	—	22.7	25.11
2016	5.5	5.5	—	21.7	25.35
2015	5.2	5.2	—	20.3	25.62
2014	4.8	4.8	—	20.6	23.30
2013	4.9	4.9	—	20.6	23.79
2012	4.6	4.6	—	20.0	23.00
2011	4.2	4.2	—	19.6	21.43

Notes to Schedule

Changes in benefit terms: None

Changes in assumptions: None

Schedule of Changes in Total OPEB Liability and Related Ratios for NJ TRANSIT's Sponsored Single-Employer Plan
 Last Ten Fiscal Years (\$ in millions)

	For the years ended June 30		
	2020	2019	2018*
Beginning Balance, June 30, As previously reported	\$1,296.6	\$1,098.5	\$1,108.9
Prior period adjustment (unaudited)	—	49.4	—
Beginning Balance, June 30, As restated	\$1,296.6	\$1,147.9	\$1,108.9
Changes for the year:			
Service cost	\$55.6	\$55.9	56.6
Interest	46.5	45.5	38.7
Economic/demographic gains(losses)	89.4	—	—
Changes of assumptions or other inputs	204.2	104.2	(48.2)
Benefit Payments	(54.4)	(56.9)	(57.5)
Net changes	341.3	148.7	(10.4)
Balance End, June 30	\$1,637.9	\$1,296.6	\$1,098.5
Covered employee payroll	\$854.2	\$889.2	\$859.4
Total OPEB liability as a percentage of covered-employee payroll	191.75%	145.82%	127.82%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*Comparative 2018 financial information presented in this schedule has not been restated for the correction of the prior period errors.

Notes to Schedule

Changes in benefit terms: None

Changes in assumptions: The discount rate decreased from 3.51% as of June 30, 2019 to 2.21% as of June 30, 2020.

The valuation reflects changes due to H.R. 1865 Further Consolidated Appropriations Act, 2020, which repealed the Cadillac tax on health plans.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Actuarial assumptions

The total OPEB liabilities as of June 30, 2020 and 2019 were measured at June 30, 2020 and 2019 and determined by actuarial valuations dated July 1, 2019 and 2017, respectively, which was rolled forward to the measurement date using update procedures.

The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2019
Measurement date	June 30, 2020
Salary increases, varies by age	3.16% - 4.84%
Inflation rate	3.00%
Discount rate	2.21%
Healthcare cost trend rates	
Pre-65	6.7% for 2020, decreasing to 3.8% by 2042
Post-65	Non-agreement: 6.4% for 2020, decreasing to 3.8% by 2074 Bus: 3.8% for 2020, decreasing to 3.7% by 2074
Actuarial cost method	Entry Age Normal

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of NJ TRANSIT's Proportionate Share of Net OPEB Liability For Cost-sharing New Jersey Health Benefit Program Last Ten Fiscal Years (\$ in millions)

For the years ended June 30	2020	2019	2018
NJ TRANSIT's proportion (percentage) of the collective net OPEB liability	0%	0%	0%
NJ TRANSIT's proportionate share (amount) of the collective net OPEB liability	\$—	\$—	\$—
The State's Proportionate Share of the collective net OPEB liability associated with NJ TRANSIT	\$55.9	\$63.9	\$80.9
Total	\$55.9	\$63.9	\$80.9
Covered employee payroll	\$27.6	\$25.4	\$25.1
Proportionate share of the collective net OPEB Liability as a Percentage of the employer's covered employee payroll	0%	0%	0%
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	1.98%	1.97%	1.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Actuarial assumptions and methods

Actuarial Cost Method	Entry Age Normal cost method.
Measurement Date	June 30, 2020
Measurement Period	June 30, 2018 to June 30, 2019
Valuation Date	June 30, 2019
Census Data	For the Fiscal Year Ending June 30,2020: June 30, 2018 For the Fiscal Year Ending June 30,2019: June 30, 2017
Service Cost	The Actuarial Present Value of benefits is allocated as a level percentage over the earnings of an individual between entry age (i.e. – age at hire) and assumed retirement age(s).
Discount Rate	As of June 30, 2019: 3.50%, As of June 30, 2018: 3.87%
Expected Rate of Return	As of June 30, 2019: 3.50%, As of June 30, 2018: 3.87%
Municipal Bond Rate Basis	Bond Buyer General Obligation 20-Bond Municipal Bond Index
Salary Increases	Active salaries, used to determine retirement allowance in the future, are assumed to increase as follows:

Annual Rate of Increase (%)		
Age	FYE 2016 to FYE 2026	FYE 2026 and Later
25	8.98	9.98
30	5.97	6.97
35	4.17	5.17
40	3.33	4.33
45	2.90	3.90
50	2.75	3.75
55	2.60	3.60
60	2.35	3.35
64	2.10	3.10

Pre-Retirement Healthy Mortality RP-2006 Headcount-Weighted Healthy Employee Male / Female Mortality Table with Fully Generational Mortality Improvement Projections from the central year using Scale MP-2017

Post-Retirement Healthy Mortality RP-2006 Headcount-Weighted Healthy Annuitant Male / Female Mortality Table with Fully Generational Improvement Projections from the central year using Scale MP-2017

Disabled Mortality RP-2006 Headcount-Weighted Disabled Male / Female Mortality Table with Fully Generational Improvement Projections from the central year using Scale MP-2017

	Service	Annual Rate of Increase (%)
Police and Firemen's Retirement System (PFRS)	0	15.25
	1	15.25
	2	12.75
	3	10.75
	4	10.25
	5	9.25
	6	8.25
	7	7.25
	8	5.75
	9	5.25
	10	4.75
	11	4.25
	12	3.75
13	3.25	

Pre-Retirement Healthy Mortality PFRS: PUB-2010 "Safety" classification headcount- weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019

Post-Retirement Healthy Mortality Chapter 330 Retirees: PUB-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019

Other Retirees: PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019

Disabled Retiree Mortality PFRS Future Disabled Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP- 2019

Chapter 330 Current Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP- 2019

Other Current Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP- 2019

Spouse Coverage Election Rate Spouses are assumed to lose coverage upon the death of the former employee. While spouses may participate in the SHBP at an unsubsidized rate, we have assumed they will not participate. The State provided data for spouses of police officers who died in the line of duty who are assumed to receive retiree health care benefits for life.

Future Retirees It is assumed that 55% are married. Future retirees who are assumed to be married are assumed to choose family coverage at retirement. Males are assumed to be three years older than their female spouses.

Current Retirees Spousal coverage is based on actual retiree coverage elections. Males are assumed to be three years older than their female spouses.



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