

**New Jersey Turnpike Authority
Financial Summary
For the Twelve Months Ended December 31, 2016**

ACTUAL REVENUE - January - December	\$ 1,788,279,000
OPERATING EXPENSES	493,298,000
Net Revenue	\$ 1,294,981,000
 DEBT SERVICE REQUIREMENTS	 773,028,000
CHARGES FUND	155,000
SPECIAL PROJECT RESERVE FUND	38,918,000
MAINTENANCE RESERVE FUND	89,370,000

The following un-audited results are for the twelve months ended December 31, 2016.¹ Based upon these results, revenues will be sufficient to satisfy the requirements of the Authority's Bond Resolution. For the twelve months ending December 31, 2016, the Authority's debt service coverage ratio is 1.68 and the total requirements coverage ratio is 1.44.

The Authority's total revenue for the twelve months ended December 31, 2016 was \$1,788,279,000, which is \$34,190,000, or 1.9%, above projections. Toll revenue was \$1,570,505,000, which is \$16,819,000, or 1.1%, greater than projections due to relatively mild winter and spring weather and continued low gas prices. Revenue increased in spite of the impact of winter storm Jonas which occurred on January 23-24, 2016. Toll revenue loss due to Jonas is estimated to be \$5,521,000. Gas prices averaged \$0.26 /gallon lower in the twelve months of 2016 as compared to the same period in 2015 and AAA reports that summer gas prices were the lowest since 2005. The increase in total revenue was also due in part to higher than anticipated miscellaneous revenue. Miscellaneous revenue, which totaled \$24,491,000, was \$11,491,000, or 88.4% above projections due to the receipt of \$4,250,000 in non-recurring settlements and \$7,000,000 from FEMA related to Winter Storm Jonas.

For the twelve months ended December 31, 2016, traffic on the New Jersey Turnpike increased 3.6% and toll revenue increased 3.4% as compared to the same period in 2015. The increases in traffic and revenue are due to mild winter and spring weather, lower gas prices, and an extra leap year day in 2016. Traffic and revenue were negatively impacted by winter storm Jonas which occurred on January 23-24, 2016. The storm resulted in 925,000 fewer transactions and \$3,977,000 less revenue when compared to similar days in January. When adjusting for the impacts of this storm, traffic and revenue would have increased 3.8% and 3.6% respectively. CDM Smith, the Authority's traffic engineer, released a draw down letter in November 2015 updating the short-term projections of its investment grade study released in May 2014. CDM Smith projected 2016 annual traffic and revenue growth on the Turnpike of 2.4% and 2.7%, respectively. Both the twelve month actual and adjusted results compare favorably to CDM Smith's projections. Through December 2016, the *E-ZPass* usage rate on the New Jersey Turnpike was 82.6%, an increase from 81.7% for the same period in 2015.

For the twelve months ended December 31, 2016, toll transactions on the Garden State Parkway increased 2.7% and revenue increased 2.3% when compared to the same period in 2015. Toll transactions and revenue increased due to less severe winter weather, a warm, dry spring, consistently lower gas prices, and the extra leap year day in 2016. As with the New Jersey Turnpike, toll transactions and revenue were negatively impacted by winter storm Jonas, resulting in 1,420,000 fewer toll transactions and \$1,544,000 less revenue. When adjusting for this storm, Parkway traffic and revenue would have increased 2.9% and 2.5% respectively. CDM Smith's 2016 forecast projected toll transactions to remain flat from 2015 and for revenue to increase 0.5% on the Garden State Parkway. Both actual and adjusted results for the twelve months ended December 31, 2016 were well above CDM's projections. Through December, 2016 the *E-ZPass* usage rate on the Garden State Parkway was 79.6%, an increase from 78.7% for the same period in 2015.

Operating expenses for the twelve months ended December 31, 2016 were approximately \$493,298,000, which was 95.0% of the year-to-date budget. The Authority's operating expenses through December were under budget primarily due to lower than expected snow and severe weather costs charged to operating expenses. The Authority spent \$25,309,000 for snow and severe weather costs through December 31, 2016, with \$14,559,000 spent from the operating expense budget and an additional \$10,750,000 spent from the General Reserve Fund. All snow and severe weather costs are charged to the operating expense budget with the exception of declared state of emergency events which are charged to the General Reserve Fund. Operating expenses were also under budget due to lower than expected fuel and utility costs because gas prices remained low and winter temperatures were above average which reduced heating costs.

The Capital Budget consists of Supplemental Capital, Maintenance Reserve, and Special Project Reserve Funds. For the twelve months ended December 31, 2016, total expenditures were approximately \$116,191,000. Expenditures included \$23,615,000 for Turnpike Bridge Repairs, \$16,453,000 for Parkway Bridge Repairs and \$15,336,000 for Turnpike Resurfacing. In addition to the Capital Budget, the General Reserve Fund expenses totaled \$320,584,000 and consisted primarily of \$162,000,000 for the State Transportation Projects Funding Agreement 2011-2016, \$102,000,000 for the State Transportation Projects Funding Agreement 2016-2021, and \$22,000,000 for the Transportation Trust Fund.

Total expenditures in the Construction Fund for the twelve months ended December 31, 2016 were approximately \$660,870,000. Expenses included \$212,388,000 for the Authority's Phase I Facilities Improvements project, \$80,941,000 for the Turnpike Interchange 14A

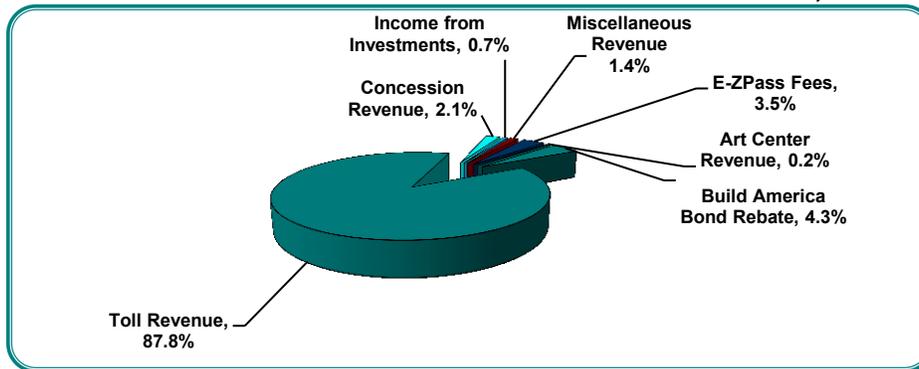
¹ These are un-audited results. Amounts and categories of revenue and expenses may change when audited.

Reconstruction project, and \$70,366,000 for the Authority's Phase II Facilities Improvement Project. In addition to these expenditures, there are open contracts and commitments totaling approximately \$742,045,000.

**Comparison of Projected Revenues to Actual Revenues
For the Twelve Months Ended December 31, 2016**

	<u>Projections</u>	<u>Actual</u>
<i>Toll Revenue</i>	1,553,686,000	1,570,505,000
<i>Concession Revenue</i>	38,900,000	38,192,000
<i>Income from Investments</i>	11,700,000	12,362,000
<i>Miscellaneous Revenue</i>	13,000,000	24,491,000
<i>Build America Bond Subsidy</i>	75,703,000	76,071,000
<i>Arts Center Revenue</i>	3,344,000	4,079,000
<i>E-ZPass Fees</i>	57,756,000	62,579,000
<i>Total Revenues</i>	<u>1,754,089,000</u>	<u>1,788,279,000</u>

Actual Revenues for the Twelve Months Ended December 31, 2016



For the twelve months ended December 31, 2016, total revenue was \$1,788,279,000, which was 1.9%, or \$34,190,000 above projections. The increase is due mostly to higher than expected toll revenue and non-recurring miscellaneous revenue.

Toll revenue for the period was \$1,570,505,000 which was 1.1%, or \$16,819,000 greater than the projected amount. Toll revenue was \$8,534,000 higher than projected on the New Jersey Turnpike and \$8,285,000 higher than projected on the Garden State Parkway.

Concession revenue consists of revenues generated through the sale of food, gasoline and convenience store items at the service areas located along both roadways. Concession revenue was \$38,192,000 which was \$708,000 or 1.8% below projections. Fuel sales increased 5.7% on the New Jersey Turnpike, but revenue was lower than projected due to a decrease in revenue from the gross profit margin on diesel fuel sales as compared to 2015. The Authority receives 50% of the gross profit margin on all diesel fuel sold. New Jersey Turnpike food and convenience store sales increased 5.0% and 11.7%, respectively, compared to last year. The increase in food and fuel sales was in part due to the reopening of the Grover Cleveland Service Area on November 23, 2015 after a three-year closure due to the effects of Superstorm Sandy. On the Garden State Parkway, fuel sales increased 2.0% and convenience store sales increased 3.6%. Food sales only increased 0.2%, due to the closure of the Vauxhall Service Area food service facility from October 2, 2015 to May 3, 2016.

Investment earnings consist of income from invested operating revenues and reserve funds. Investment income was \$12,362,000, which was \$662,000 or 5.7% higher than projected. Investment yields are higher than projected as short term interest rates have recently risen.

Miscellaneous revenue includes fees for cell tower rentals, towing, fiber optic leases, park & ride commissions, property rentals, and other items. Revenue for the period was \$24,491,000 which was \$11,491,000, or 88.4% higher than projected. Miscellaneous revenue exceeded projections due primarily to the \$7,000,000 FEMA Recovery for Winter Storm Jonas, the receipt of \$3,250,000 in non-recurring insurance settlements and \$1,000,000 from a non-recurring FINRA arbitration settlement.

The Build America Bond Subsidy is a direct payment from the U.S. Treasury to the Authority equaling about 32.6% of the interest payable on the Series 2009F and the Series 2010A Bonds for Federal Fiscal Year 2016 which began in September 2015. The subsidy received was \$76,071,000, which was \$368,000 higher than projected due to a lower than expected automatic federal deficit reduction spending cut in the subsidy for the current federal fiscal year.

Arts Center revenue consists of rent and naming rights for the PNC Bank Arts Center located in Holmdel. For the twelve months ended December 31, 2016, revenue was \$4,079,000, which was \$735,000, or 22.0% higher than projected due to the receipt of both the 2015

(\$280,000) and the 2016 (\$452,000) variable rent payments which are based on ticket sales. The 2016 budget included only the minimum annual guaranteed rent.

E-ZPass fees consist of monthly membership fees, transponder sales, return check fees, administrative fees, fiber lease revenue, interest on prepaid accounts and monthly statement fees. Revenue of \$62,579,000 was \$4,823,000, or 8.4%, higher than projected. Revenue of \$1,808,200 from damaged tag fees was up 386% from last year due to fees for unreturned tags from the closeout of the last tag swap program. In addition, for the twelve months ended December 31, 2016, administrative fee collections from toll violators increased 13.0% from the same period in 2015.

New Jersey Turnpike Traffic & Revenue Comparison

For the Month of December 2016⁽¹⁾

	Traffic		
	<u>December-16</u>	<u>December-15</u>	<u>% Change</u>
Passenger Vehicles	18,696,000	18,415,000	1.5%
Commercial Vehicles	2,676,000	2,601,000	2.9%
Overall	<u>21,372,000</u>	<u>21,016,000</u>	<u>1.7%</u>
	Revenue		
	<u>December-16</u>	<u>December-15</u>	<u>% Change</u>
Passenger Vehicles	64,223,000	63,619,000	0.9%
Commercial Vehicles	30,433,000	30,346,000	0.3%
Overall	<u>94,656,000</u>	<u>93,965,000</u>	<u>0.7%</u>

(1) Includes un-audited data for the month.

For the month of December 2016, traffic on the New Jersey Turnpike increased 1.7% and toll revenue increased 0.7% when compared to the same period in 2015. Traffic and revenue compared favorably to December 2015 due mostly to mild weather in December 2016. Traffic and revenue increased in December 2016, despite the fact that gas prices were slightly higher, increasing by an average of \$0.25 /gallon compared to December 2015.

For the Twelve Months Ended December 31, 2016⁽¹⁾

	Traffic		
	<u>December-16</u>	<u>December-15</u>	<u>% Change</u>
Passenger Vehicles	223,634,000	215,358,000	3.8%
Commercial Vehicles	31,860,000	31,241,000	2.0%
Overall	<u>255,494,000</u>	<u>246,599,000</u>	<u>3.6%</u>
	Revenue		
	<u>December-16</u>	<u>December-15</u>	<u>% Change</u>
Passenger Vehicles	776,266,000	745,007,000	4.2%
Commercial Vehicles	367,959,000	361,260,000	1.9%
Overall	<u>1,144,225,000</u>	<u>1,106,267,000</u>	<u>3.4%</u>

(1) Includes un-audited data for the month.

For the twelve months ended December 31, 2016, traffic increased 3.6% and toll revenue increased 3.4% when compared to the same period in 2015. The increases in traffic and revenue are due to comparatively mild winter and spring weather, lower gas prices and an extra leap year day in 2016. Although the winter months of 2016 were less severe than 2015, traffic and revenue were negatively impacted by winter storm Jonas. When excluding this storm, traffic and revenue would have increased 3.8% and 3.6%, respectively for the twelve months ended December 31, 2016. Results compare favorably to the CDM Smith projected increases of 2.4% for traffic and 2.7% for toll revenue.

Electronic toll collection remains popular and overall usage rates continue to be strong. For the twelve months ended December 31, 2016, the *E-ZPass* usage rate for passenger cars was 81.4%, and for commercial vehicles was 90.8%. This resulted in an overall *E-ZPass* usage rate of 82.6%. The *E-ZPass* usage rate remains one of the highest in the region reflecting acceptance among commuters and frequent travelers of the *E-ZPass* brand and the convenience provided to the users throughout the Northeast.

Garden State Parkway Traffic & Revenue Comparison

For the Month of December 2016⁽¹⁾

	<u>Traffic</u>		
	<u>December-16</u>	<u>December-15</u>	<u>% Change</u>
Passenger Vehicles	30,648,000	30,640,000	0.0%
Commercial Vehicles	356,000	386,000	-7.8%
Overall	<u>31,004,000</u>	<u>31,026,000</u>	<u>-0.1%</u>
	<u>Revenue</u>		
	<u>December-16</u>	<u>December-15</u>	<u>% Change</u>
Passenger Vehicles	32,512,000	32,472,000	0.1%
Commercial Vehicles	1,095,000	1,156,000	-5.3%
Overall	<u>33,607,000</u>	<u>33,628,000</u>	<u>-0.1%</u>

(1) Includes un-audited data for the month.

For the month of December 2016, toll transactions and toll revenue on the Garden State Parkway were essentially flat when compared to December 2015. December 2016 monthly results as compared to December 2015 were primarily affected by the timing of the Christmas Holiday in 2016.

For the Twelve Months Ended December 31, 2016⁽¹⁾

	<u>Toll Transactions</u>		
	<u>December-16</u>	<u>December-15</u>	<u>% Change</u>
Passenger Vehicles	384,586,000	374,092,000	2.8%
Commercial Vehicles	5,023,000	5,191,000	-3.2%
Overall	<u>389,609,000</u>	<u>379,283,000</u>	<u>2.7%</u>
	<u>Revenue</u>		
	<u>December-16</u>	<u>December-15</u>	<u>% Change</u>
Passenger Vehicles	410,734,000	400,910,000	2.5%
Commercial Vehicles	15,547,000	15,956,000	-2.6%
YTD Toll Revenue	<u>426,281,000</u>	<u>416,866,000</u>	<u>2.3%</u>

(1) Includes un-audited data for the month.

For the twelve months ended December 31, 2016, toll transactions on the Garden State Parkway were up 2.7% and revenue increased 2.3% when compared to the same period in 2015. These results compare favorably to the CDM Smith projections of toll transactions remaining flat and toll revenue increasing 0.5%. As with the Turnpike, toll transactions and revenue increased due to relatively mild winter and spring weather, lower gas prices and an extra leap year day in 2016. Toll transactions and revenue were negatively impacted by winter storm Jonas in January. When adjusting for this storm,

Parkway toll transactions and revenue for the twelve months ended December 31, 2016 would have increased 2.9% and 2.5%, respectively.

E-ZPass remains popular on the Garden State Parkway as electronic toll collection continues to increase. For the twelve months ended December 31, 2016, the total *E-ZPass* usage rate was 79.6%, up from 78.7% in the same period in 2015. The *E-ZPass* usage rate for passenger cars was 79.5%, and for commercial vehicles was 89.0%.

Operating Expenses

For the Twelve Months Ended December 31, 2016

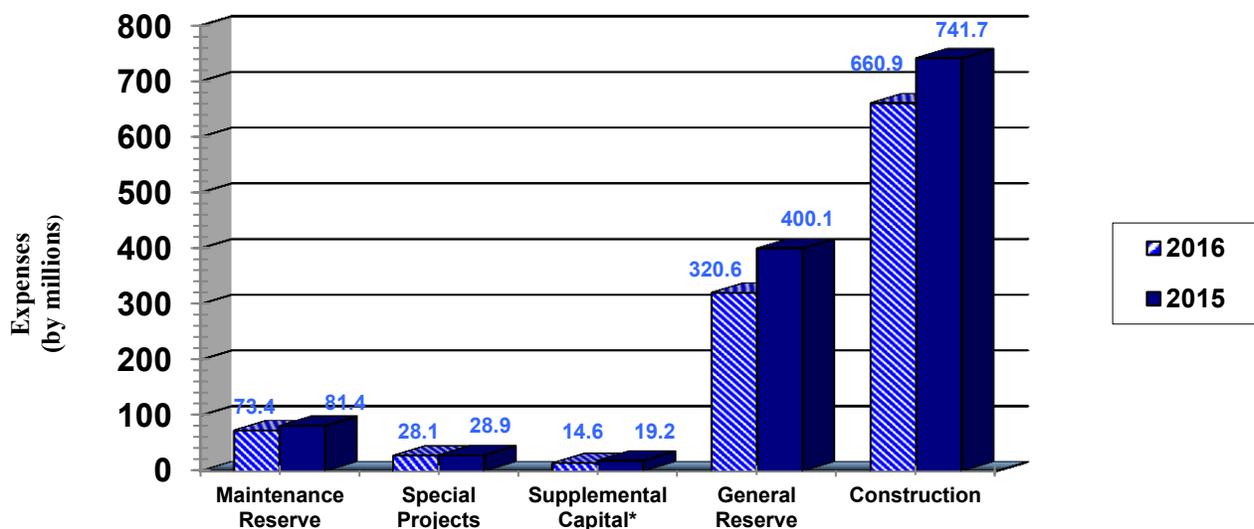
	Annual Budget	YTD Expenses
<u>Maintenance of roadway, buildings & equipment</u>		
Maintenance	\$ 201,301,400	\$ 172,400,000
Engineering	12,488,300	13,053,200
Total Maintenance	213,789,700	185,453,200
<u>Toll Collection</u>		
Toll Collection	156,828,100	160,485,400
<u>State Police & Traffic Control</u>		
State Police	68,076,600	68,469,000
Operations	11,404,200	11,329,700
Total State Police and Traffic Control	79,480,800	79,798,700
<u>Technology</u>		
Integrated Technology Services	29,321,300	28,754,600
<u>General & Administrative</u>		
Executive Office	1,047,300	1,040,500
Law	9,375,000	8,555,500
Purchasing & Materials Management	7,082,300	7,017,000
Human Resources & Office Services	6,157,000	5,932,200
Finance	11,682,900	11,729,000
Patron & Customer Services	1,883,200	1,772,600
Internal Audit	2,776,300	2,759,300
Total General and Administrative	40,004,000	38,806,100
TOTAL OPERATING	\$ 519,423,900	\$ 493,298,000

For the year ended December 31, 2016, operating expenses were approximately \$493,298,000, which was 95.0% of the annual budget. Operating expenses in 2016 were under budget primarily due to lower than expected snow and severe weather costs charged to operating expenses. The Authority spent \$25,309,000 for snow and severe weather costs in calendar 2016, with \$14,559,000 charged to operating expenses and an additional \$10,750,000 charged to the General Reserve Fund. All snow and severe weather costs are charged to operating expenses with the exception of declared state of emergency events which are budgeted and charged to the General Reserve Fund. Operating expenses were also under budget due to lower than expected utility and fuel costs, which were approximately \$3,835,000 under budget. Utility and fuel costs were under budget due to continued low natural gas and gasoline prices and above average

temperatures which reduced heating costs. Toll collection costs were approximately \$3,657,000 over budget due to higher than projected E-ZPass costs due to higher variable costs incurred based on greater than projected toll volumes processed through New Jersey E-ZPass as well as higher than budgeted reserves needed to cover the tag swap program which will begin in early 2017. Engineering and finance departmental expense were slightly over budget, as actual salaries and benefits charged to capital projects were lower than planned for these departments. State Police costs were slightly over budget as retroactive salary increases were higher than projected.

Capital Budget, General Reserve and Construction Fund Expenditures For the Twelve Months Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Maintenance Reserve	\$ 73,437,000	\$ 81,416,000
Special Project Reserve	28,133,000	28,948,000
Supplemental Capital	14,621,000	19,211,000
Capital Budget Total	116,191,000	129,575,000
General Reserve	320,584,000	400,094,000
Construction Fund	660,870,000	741,675,000
Total Spending	\$ 1,097,645,000	\$ 1,271,344,000



Capital Budget projects are classified as Maintenance Reserve, Special Project Reserve and Supplemental Capital. These projects are funded from current or accumulated revenues. The Maintenance Reserve Fund covers the routine upkeep of the Authority's roadways with projects that are directly related to the Turnpike System. These projects consist of major resurfacing, structural repairs, major bridge repairs and painting. The Special Project Reserve Fund covers non-routine maintenance of the roadways and facilities. These projects consist of, but are not limited to, improving the Authority's facilities and technology platform. The Supplemental Capital Fund generally covers roadway and facilities improvements, major technology projects, whereas the General Reserve Fund includes payments to the State of New Jersey and payments for any other corporate purpose.

The Capital Budget consists of Supplemental Capital, Maintenance Reserve, and Special Project Reserve Funds. For the twelve months ended December 31, 2016, total expenditures were approximately \$116,191,000. Expenditures included \$23,615,000 for Turnpike Bridge Repairs, \$16,453,000 for Parkway Bridge Repairs, \$15,336,000 for Turnpike Resurfacing, and \$10,241,000 for Parkway Resurfacing. In addition to the Capital Budget, the General Reserve Fund expenses totaled \$320,584,000 and consisted primarily of \$162,000,000 for the State Transportation Projects Funding Agreement 2011-2016, \$102,000,000 for the State Transportation Projects Funding Agreement 2016-2021, \$22,000,000 for the Transportation Trust Fund, and \$13,000,000 for other post-employment benefits.

Bond proceeds are deposited in the Construction Fund to support major capital programs. Total expenditures in the Construction Fund for the twelve months ended December 31, 2016 were approximately \$660,870,000. Expenses included \$212,388,000 for the Authority's Phase I Facilities Improvements project, \$80,941,000 for the Turnpike Interchange 14A Reconstruction project, \$70,366,000 for the Authority's Phase II Facilities Improvements project, and \$58,719,000 for the Parkway Interchange 35-63 Widening. In addition to these expenditures, there are open contracts and commitments totaling approximately \$742,045,000.