

**New Jersey Turnpike Authority
Financial Summary
For the Nine Months Ended September 30, 2017**

ACTUAL REVENUE - January - September	\$	1,352,881,000
ESTIMATED REVENUE - October - December		438,315,000
Projected Annual Revenue	\$	1,791,196,000
ESTIMATED ANNUAL OPERATING EXPENSES	\$	508,800,000
Projected Net Revenue	\$	1,282,396,000
DEBT SERVICE REQUIREMENTS		818,867,000
CHARGES FUND		155,000
SPECIAL PROJECT RESERVE FUND		39,696,000
MAINTENANCE RESERVE FUND		116,751,000

The following un-audited results are for the nine months ended September 30, 2017.¹ 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, 2017, the Authority is projected to have a debt service coverage ratio of 1.57 and a total requirements coverage ratio of 1.31.

The Authority's total revenue for the nine months ended September 30, 2017 was \$1,352,881,000, which is \$22,832,000, or 1.7%, above projections. Toll revenue was \$1,187,414,000, which is \$11,005,000, or 0.9%, greater than projections due to favorable weather, economic conditions, and low gas prices through most of the year. Traffic and revenue increased despite the effects from winter storm Stella, a state of emergency event which occurred on March 14-15, 2017, and the closure of the Delaware River Turnpike Bridge from January 20, 2017 to March 9, 2017. The increase in total revenue was also due in part to higher than anticipated miscellaneous revenue and income from investments. Miscellaneous revenue, which totaled \$15,726,000, was \$5,978,000, or 61.3% above projections due to the receipt of \$2,925,000 for a non-recurring settlement and \$2,560,000 from FEMA related to winter storm Jonas (2016). Income from investments, which totaled \$12,003,000, was \$3,063,000 or 34.3% above projections due to higher yields on investments due to an increase in short term interest rates and higher invested balances.

For the nine months ended September 30, 2017, traffic on the New Jersey Turnpike increased 2.0% and toll revenue increased 0.7% as compared to the same period in 2016. The increases in traffic and revenue are due to generally milder winter weather in 2017 compared to the same period in 2016, favorable economic conditions, and stable gas prices. Toll transactions and revenue increased despite the closure of Interchanges 6 and 6A on the New Jersey Turnpike from January 20, 2017 to March 9, 2017 due to the emergency closure of the Delaware River Turnpike Bridge, which connects the New Jersey Turnpike to the Pennsylvania Turnpike. This closure resulted in an estimated toll revenue loss of \$8.8 million. Traffic and revenue were also negatively impacted by winter storm Stella. The storm resulted in 742,000 fewer transactions and \$2,878,000 less revenue when compared to similar days in March. When adjusting for the impacts of this storm, traffic and revenue would have increased 2.4% and 1.1%, respectively. CDM Smith, the Authority's traffic engineering consultant, released a draw down letter dated March 8, 2017 updating the short-term projections of its investment grade study released in May 2014. CDM Smith projects 2017 annual traffic to increase 0.3% and revenue to decrease 0.6%. The actual and adjusted results for the nine months ended September 30, 2017 were above CDM Smith's projections of an increase of 0.7% for traffic and a decrease of 0.5% for revenue. Through September 2017, the *E-ZPass* usage rate on the New Jersey Turnpike was 83.9%, an increase from 82.4% for the same period in 2016.

For the nine months ended September 30, 2017, toll transactions on the Garden State Parkway increased 0.6% and revenue increased 0.4% when compared to the same period in 2016. Toll transactions and revenue increased despite the absence of the leap day in 2017 and the impact of winter storm Stella. The storm resulted in 1,128,000 fewer transactions and \$1,216,000 less revenue when compared to similar days in March. When adjusting for the impacts of this storm, Parkway traffic and revenue would have increased 1.0% and 0.8%, respectively. CDM Smith's 2017 forecast projected toll transactions and revenue to increase 0.4% and 0.5% respectively for the Garden State Parkway. The actual and adjusted results for the nine months ended September 30, 2017 compare favorably to CDM's projected increase of 0.4% for toll transactions. The actual results were at projection but the adjusted results were above the projected increase of 0.4% for toll revenue. Through September 2017, the *E-ZPass* usage rate on the Garden State Parkway was 81.1%, an increase from 79.4% for the same period in 2016.

Operating expenses for the nine months ended September 30, 2017 were approximately \$348,767,000, which was 90.0% of the year-to-date budget. The Authority's operating expenses through September were under budget primarily due to lower than expected snow and severe weather costs charged to operating expenses. The Authority spent \$25,026,000 for snow and severe weather costs through September 30, 2017, with \$17,481,000 spent from the operating expense budget and an additional \$7,545,000 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. Discretionary spending and budgetary guidelines will be closely monitored and adhered to through the remainder of the year in order to control operating expenses.

The Capital Budget consists of Supplemental Capital, Maintenance Reserve, and Special Project Reserve Funds. For the nine months ended September 30, 2017, total expenditures were approximately \$100,335,000. Expenditures included \$17,076,000 for Turnpike Resurfacing, \$13,515,000 for Turnpike Bridge Repairs, and \$11,866,000 for Parkway Bridge Repairs. In addition to the Capital Budget spending, the General Reserve Fund expenses totaled \$197,709,000 and consisted primarily of \$153,000,000 for the State Transportation Projects Funding Agreement 2016-2021, \$16,500,000 for the Transportation Trust Fund, and \$13,125,000 for Other Post-employment benefits.

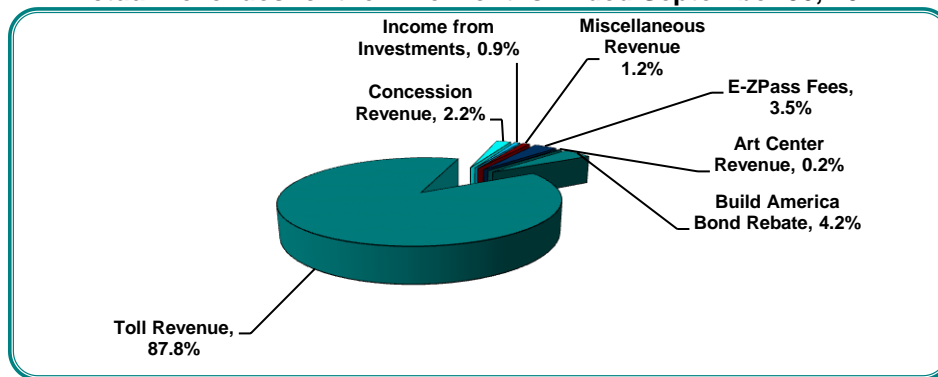
Total expenditures in the Construction Fund for the nine months ended September 30, 2017 were approximately \$305,280,000. Expenses included \$99,441,000 for the Authority's Phase I Facilities Improvements project, \$36,803,000 for the Turnpike Interchange 14A Reconstruction project, and \$34,427,000 for the Parkway Milepost 35 to 63 Widening. In addition to these expenditures, there are open contracts and commitments totaling approximately \$563,739,000.

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

**Comparison of Projected Revenues to Actual Revenues
For the Nine Months Ended September 30, 2017**

	<u>Projections</u>	<u>Unaudited Actual</u>
Toll Revenue	1,176,409,000	1,187,414,000
Concession Revenue	30,380,000	30,317,000
Income from Investments	8,940,000	12,003,000
Miscellaneous Revenue	9,748,000	15,726,000
Build America Bond Subsidy	57,023,000	57,084,000
Arts Center Revenue	3,287,000	3,287,000
E-ZPass Fees	44,262,000	47,050,000
Total Revenues	<u>1,330,049,000</u>	<u>1,352,881,000</u>

Actual Revenues for the Nine Months Ended September 30, 2017



For the nine months ended September 30, 2017, total revenue was \$1,352,881,000, which was 1.7%, or \$22,832,000 above projections. The increase is due mostly to higher than expected toll revenue and miscellaneous revenue.

Toll revenue for the period was \$1,187,414,000 which was 0.9%, or \$11,005,000 greater than the projected amount. Toll revenue was \$10,928,000 higher than projected on the New Jersey Turnpike and \$77,000 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 \$30,317,000 which was \$63,000 or 0.2% below projections, mostly due to a decrease in fuel sales and food sales on both roadways in 2017 as compared to 2016. Fuel sales decreased 9.2% and food sales decreased 1.5% on the New Jersey Turnpike. Convenience store sales increased 1.8% compared to last year on the New Jersey Turnpike. On the Garden State Parkway, fuel sales decreased 7.8% and food sales decreased 0.2% in 2017 compared to the same period in 2016. Parkway convenience store sales increased 5.6% in 2017 when compared to the same period in 2016. Convenience store revenue increased due to the sales increase and to the receipt of a back rent payment for the Oceanview service area from July 2014 to January 2017.

Investment earnings consist of income from invested operating revenues and reserve funds. Investment income was \$12,003,000, which was \$3,063,000 or 34.3% higher than projected. Short-term interest rates have recently increased and the Authority's invested balances are higher than anticipated.

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 \$15,726,000 which was \$9,748,000, or 61.3% higher than projected. Miscellaneous revenue was above projections due to the receipt of \$2,925,000 for a non-recurring settlement and \$2,560,000 from FEMA related to winter storm Jonas (2016).

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 2017 which began in September 2016. The subsidy received was \$57,084,000, which was \$61,000 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 nine months ended September 30, 2017, revenue was \$3,287,000, which was at projection.

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 \$47,050,000 was \$2,788,000, or 6.3%, higher than projected. For the nine months ended September 30, 2017, administrative fee collections from toll violators increased 9.6% from the same period in 2016.

New Jersey Turnpike Traffic & Revenue Comparison

For the Month of September 2017⁽¹⁾

Traffic

	<u>September-17</u>	<u>September-16</u>	<u>% Change</u>
Passenger Vehicles	19,287,000	18,853,000	2.3%
Commercial Vehicles	2,715,000	2,706,000	0.3%
Overall	<u>22,002,000</u>	<u>21,559,000</u>	<u>2.1%</u>

Revenue

	<u>September-17</u>	<u>September-16</u>	<u>% Change</u>
Passenger Vehicles	65,961,000	64,768,000	1.8%
Commercial Vehicles	31,045,000	30,990,000	0.2%
Overall	<u>97,006,000</u>	<u>95,758,000</u>	<u>1.3%</u>

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

For the month of September 2017, traffic on the New Jersey Turnpike increased 2.1% and toll revenue increased 1.3% when compared to the same period in 2016. These results are ahead of CDM's projections of an increase of 0.9% for traffic and a decrease of 0.1% for revenue for the month of September 2017. Weather was a factor in the positive results as September had above average temperatures and below average precipitation. Traffic and revenue increased despite an extra weekend day in September 2017. Also, Hurricane Harvey impacted the gulf coast oil producing and refinery areas in late August and early September impacting gas prices which were \$0.32/gallon higher than August 2017 and \$0.55/gallon higher in September 2017 when compared to September 2016.

For the Nine Months Ended September 30, 2017⁽¹⁾

Traffic

	<u>September-17</u>	<u>September-16</u>	<u>% Change</u>
Passenger Vehicles	170,260,000	166,893,000	2.0%
Commercial Vehicles	24,248,000	23,786,000	1.9%
Overall	<u>194,508,000</u>	<u>190,679,000</u>	<u>2.0%</u>

Revenue

	<u>September-17</u>	<u>September-16</u>	<u>% Change</u>
Passenger Vehicles	584,490,000	581,219,000	0.6%
Commercial Vehicles	277,731,000	274,723,000	1.1%
Overall	<u>862,221,000</u>	<u>855,942,000</u>	<u>0.7%</u>

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

For the nine months ended September 30, 2017, traffic increased 2.0% and toll revenue increased 0.7% when compared to the same period in 2016. Traffic and revenue increased despite the closure of the Delaware River Turnpike Bridge and one fewer day in 2017 as 2016 was a leap year. Although the winter months of 2017 were less severe than those in 2016, traffic and revenue were negatively impacted by winter storm Stella. When adjusting for the impacts of this storm, traffic and revenue would have increased 2.4% and 1.1%, respectively for the nine months ended September 30, 2017. Results compare favorably to the CDM Smith projected increase of 0.7% for traffic and decrease of 0.5% for toll revenue.

Electronic toll collection remains popular and overall usage rates continue to be strong. For the nine months ended September 30, 2017, the *E-ZPass* usage rate for passenger cars was 82.8%, and for commercial vehicles was 91.5%. This resulted in an overall *E-ZPass* usage rate of 83.9%. 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 September 2017⁽¹⁾

Traffic

	<u>September-17</u>	<u>September-16</u>	<u>% Change</u>
Passenger Vehicles	33,003,000	32,644,000	1.1%
Commercial Vehicles	441,000	420,000	5.0%
Overall	<u>33,444,000</u>	<u>33,064,000</u>	<u>1.1%</u>

Revenue

	<u>September-17</u>	<u>September-16</u>	<u>% Change</u>
Passenger Vehicles	35,355,000	34,877,000	1.4%
Commercial Vehicles	1,398,000	1,318,000	6.1%
Overall	<u>36,753,000</u>	<u>36,195,000</u>	<u>1.5%</u>

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

For the month of September 2017, toll transactions and toll revenue on the Garden State Parkway increased by 1.1% and toll revenue increased by 1.5% when compared to September 2016. These results are above CDM Smith's projections of an increase of 0.4% for traffic and 0.5% for revenue. As with the Turnpike, results were positively impacted by above average September weather, despite higher gas prices.

For the Nine Months Ended September 30, 2017⁽¹⁾

Toll Transactions

	<u>September-17</u>	<u>September-16</u>	<u>% Change</u>
Passenger Vehicles	293,358,000	291,461,000	0.7%
Commercial Vehicles	3,872,000	3,869,000	0.1%
Overall	<u>297,230,000</u>	<u>295,330,000</u>	<u>0.6%</u>

Revenue

	<u>September-17</u>	<u>September-16</u>	<u>% Change</u>
Passenger Vehicles	313,174,000	311,839,000	0.4%
Commercial Vehicles	12,019,000	11,957,000	0.5%
YTD Toll Revenue	<u>325,193,000</u>	<u>323,796,000</u>	<u>0.4%</u>

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

For the nine months ended September 30, 2017, toll transactions on the Garden State Parkway increased 0.6% and revenue increased 0.4% when compared to the same period in 2016. As with the Turnpike, toll transactions and revenue increased despite one fewer day in 2017 as 2016 was a leap year. In addition, positive results occurred despite a relatively cool and wet summer which affects weekend shore traffic. Although the winter months of 2017 were less severe than 2016, toll transactions and revenue were negatively impacted by winter storm Stella in March. When adjusting for this storm, Parkway toll transactions and revenue for the nine months ended September 30, 2017 would have increased 1.0% and 0.8%, respectively. These results compare favorably to the CDM Smith projections of toll transactions and revenue both increasing 0.4%.

E-ZPass remains popular on the Garden State Parkway as electronic toll collection continues to increase. For the nine months ended September 30, 2017, the total E-ZPass usage rate was 81.1%, up from 79.4% in the same period in 2016. The E-ZPass usage rate for passenger cars was 81.0%, and for commercial vehicles was 89.6%.

Operating Expenses

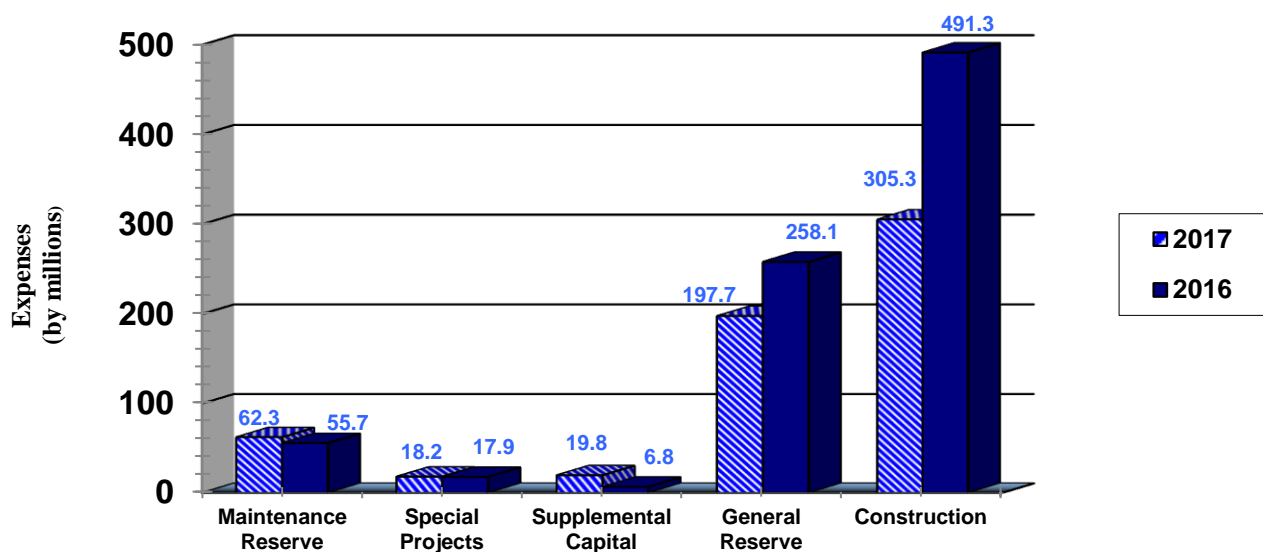
For the Nine Months Ended September 30, 2017

	Annual Budget	YTD Expenses
<u>Maintenance of roadway, buildings & equipment</u>		
Maintenance	\$ 211,417,700	\$ 136,597,200
Engineering	9,208,700	5,592,300
Total Maintenance	220,626,400	142,189,500
 <u>Toll Collection</u>		
Toll Collection	161,889,600	111,856,200
 <u>State Police & Traffic Control</u>		
State Police	70,126,700	49,840,000
Operations	11,943,100	8,334,500
Total State Police and Traffic Control	82,069,800	58,174,500
 <u>Technology</u>		
Integrated Technology Services	21,737,500	7,558,900
 <u>General & Administrative</u>		
Executive Office	1,076,200	800,700
Law	9,956,000	5,974,800
Purchasing & Materials Management	8,885,200	6,129,500
Human Resources & Office Services	5,517,200	3,812,700
Finance	11,573,500	8,409,200
Patron & Customer Services	1,961,100	1,430,500
Internal Audit	3,469,900	2,430,500
Total General and Administrative	42,439,100	28,987,900
 TOTAL OPERATING	 \$ 528,762,400	 \$ 348,767,000

For the nine months ended September 30, 2017, operating expenses were approximately \$348,767,000, which was 66.0% of the annual budget. Operating expenses in 2017 were under budget primarily due to lower than expected snow and severe weather costs charged to operating expenses. The Authority spent \$25,026,000 for snow and severe weather costs in the first nine months of 2017, with \$17,481,000 charged to operating expenses and an additional \$7,545,000 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. Lower than expected utility costs and savings from the new contract with Conduent for services provided at the New Jersey E-ZPass Customer Service Center have also contributed to the lower than anticipated expenses.

Capital Budget, General Reserve and Construction Fund Expenditures For the Nine Months Ended September 30, 2017

	<u>2017</u>	<u>2016</u>
Maintenance Reserve	\$ 62,306,000	\$ 55,732,000
Special Project Reserve	18,181,000	17,895,000
Supplemental Capital	19,848,000	6,833,000
Capital Budget Total	100,335,000	80,460,000
General Reserve	197,709,000	258,113,000
Construction Fund	305,280,000	491,347,000
Total Spending	\$ 603,324,000	\$ 829,920,000



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 nine months ended September 30, 2017, total expenditures were approximately \$100,335,000. Expenditures included \$17,076,000 for Turnpike Resurfacing, \$13,515,000 for Turnpike Bridge Repairs and \$11,866,000 for Parkway Bridge Repairs. In addition to the Capital Budget spending, the General Reserve Fund expenses totaled \$197,709,000 and consisted primarily of \$153,000,000 for the State Transportation Projects Funding Agreement 2016-2021, \$16,500,000 for the Transportation Trust Fund, and \$13,125,000 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 nine months ended September 30, 2017 were approximately \$305,280,000. Expenses included \$99,441,000 for the Authority's Phase I Facilities Improvements project, \$36,803,000 for the Turnpike Interchange 14A Reconstruction project, and \$34,427,000 for the Parkway Widening from milepost 35 to 63. In addition to these expenditures, there are open contracts and commitments totaling approximately \$563,739,000.