

**New Jersey Turnpike Authority
Financial Summary
For the Twelve Months Ended December 31, 2017**

ACTUAL REVENUE - January - December	\$ 1,796,908,000
OPERATING EXPENSES	508,449,000
<i>Net Revenue</i>	\$ 1,288,459,000
 DEBT SERVICE REQUIREMENTS	 823,092,000
CHARGES FUND	115,000
SPECIAL PROJECT RESERVE FUND	39,696,000
MAINTENANCE RESERVE FUND	116,751,000

The following un-audited results are for the twelve months ended December 31, 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's debt service coverage ratio is 1.57 and the total requirements coverage ratio is 1.32.

The Authority's total revenue for the twelve months ended December 31, 2017 was \$1,796,908,000, which is \$28,663,000, or 1.6%, above projections. Toll revenue was \$1,579,375,000, which is \$13,952,000, 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 \$23,908,000, was \$10,908,000, or 83.9% above projections due to the receipt of \$5,700,000 for a surplus land sale, \$2,925,000 for a non-recurring settlement, and \$1,735,000 from FEMA related to winter storm Jonas (2016). Income from investments, which totaled \$17,553,000, was \$5,563,000 or 46.4% above projections due to higher yields on investments due to an increase in short-term interest rates and higher invested balances.

For the twelve months ended December 31, 2017, traffic on the New Jersey Turnpike increased 2.0% and toll revenue increased 0.6% 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 2.3% and 0.8%, 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 projected 2017 annual traffic to increase 0.3% and revenue to decrease 0.6%. Both the twelve month actual and adjusted results compare favorably to CDM Smith's projections. Through December 2017, the *E-ZPass* usage rate on the New Jersey Turnpike was 84.2%, an increase from 82.6% for the same period in 2016.

For the twelve months ended December 31, 2017, toll transactions on the Garden State Parkway increased 0.9% and revenue increased 0.5% when compared to the same period in 2016. Toll transactions and revenue increased due to generally milder winter weather compared to 2016, favorable economic conditions, and stable gas prices. 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 1.1% and 0.7%, 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 twelve months ended December 31, 2017 compare favorably to CDM's projections for transactions. The actual results were at projection but the adjusted results were above projection for toll revenue. Through December 2017, the *E-ZPass* usage rate on the Garden State Parkway was 81.4%, an increase from 79.6% for the same period in 2016.

Operating expenses for the year ended December 31, 2017 were approximately \$508,449,000, which was 96.2% of the annual budget. The Authority's 2017 annual operating expenses were under budget primarily due to lower than expected snow and severe weather costs charged to operating expenses. The Authority spent a total of \$33,972,000 for snow and severe weather costs in 2017, with \$26,427,000 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. Snow and severe weather costs charged to operating expenses were approximately \$11,677,000 under budget. Toll collection costs were approximately \$4,624,000 under budget due primarily to lower than expected toll lane maintenance costs, New Jersey *E-ZPass* costs, and credit card fees.

The Capital Budget consists of Supplemental Capital, Maintenance Reserve, and Special Project Reserve Funds. For the twelve months ended December 31, 2017, total expenditures were approximately \$158,828,000. Expenditures included \$25,196,000 for Turnpike Resurfacing, \$21,933,000 for Turnpike Bridge Repairs and \$19,661,000 for Parkway Bridge Repairs. In addition to the Capital Budget spending, the General Reserve Fund expenses totaled \$261,950,000 and consisted primarily of \$204,000,000 for the State Transportation Projects Funding Agreement 2016-2021, \$22,000,000 for the Transportation Trust Fund, and \$17,500,000 for Other Post-employment benefits.

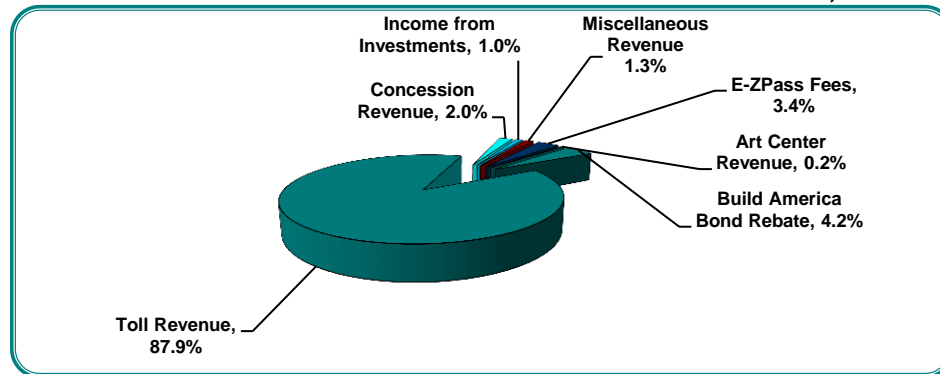
Total expenditures in the Construction Fund for the twelve months ended December 31, 2017 were approximately \$405,683,000. Expenses included \$125,466,000 for the Authority's Phase I Facilities Improvements project, \$44,939,000 for the Parkway Milepost 35 to 63 Widening, and \$43,644,000 for the Turnpike Interchange 14A Reconstruction project. In addition to these expenditures, there are open contracts and commitments totaling approximately \$469,926,000.

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 Twelve Months Ended December 31, 2017**

	<u>Projections</u>	<u>Unaudited Actual</u>
<i>Toll Revenue</i>	1,565,423,000	1,579,375,000
<i>Concession Revenue</i>	39,200,000	35,590,000
<i>Income from Investments</i>	11,990,000	17,553,000
<i>Miscellaneous Revenue</i>	13,000,000	23,908,000
<i>Build America Bond Subsidy</i>	76,030,000	76,153,000
<i>Arts Center Revenue</i>	3,402,000	3,824,000
<i>E-ZPass Fees</i>	59,200,000	60,505,000
<i>Total Revenues</i>	<u>1,768,245,000</u>	<u>1,796,908,000</u>

Actual Revenues for the Twelve Months Ended December 31, 2017



For the twelve months ended December 31, 2017, total revenue was \$1,796,908,000, which was 1.6%, or \$28,663,000 above projections. The increase is due mostly to higher than expected toll revenue and miscellaneous revenue.

Toll revenue for the period was \$1,579,375,000 which was 0.9%, or \$13,952,000 greater than the projected amount. Toll revenue was \$13,882,000 higher than projected on the New Jersey Turnpike and \$70,000 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 \$35,590,000 which was \$3,610,000 or 9.2% below projections. Revenue was lower due to a decrease in fuel sales and food sales on both roadways in 2017 as compared to 2016. Revenue on the Turnpike was also lower than projected due to a decrease in revenue from the gross profit margin on diesel fuel sales as compared to 2016. The Authority receives 50% of the gross profit margin on all diesel fuel sold. On the Turnpike, fuel sales decreased 9.3% and food sales decreased 1.1% while convenience store sales increased 2.4% compared to last year due in part to the closure of the Delaware River Turnpike Bridge in early 2017. On the Garden State Parkway, fuel sales decreased 6.7% and food sales remained flat in 2017 compared to the same period in 2016. Parkway convenience store sales increased 6.7% 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 \$17,553,000, which was \$5,563,000 or 46.4% higher than projected. Income from investments increased as short-term interest rates increased in 2017 and the Authority's invested balances were 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 \$23,908,000 which was \$10,908,000, or 83.9% higher than projected. Miscellaneous revenue was above projections due to the receipt of \$5,700,000 for a surplus land sale, \$2,925,000 for a non-recurring settlement, and \$1,735,000 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 \$76,153,000, which was \$123,000 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, 2017, revenue was \$3,824,000, which was \$422,000, or 12.4% higher than projected due to the receipt of a variable rent payment. The 2017 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 \$60,505,000 was \$1,305,000, or 2.2%, higher than projected. For the twelve months ended December 31, 2017, interest income is up 71% from the same period in 2016 due to better returns on higher invested balances.

New Jersey Turnpike Traffic & Revenue Comparison

For the Month of December 2017⁽¹⁾

Traffic

	<u>December-17</u>	<u>December-16</u>	<u>% Change</u>
Passenger Vehicles	18,621,000	18,696,000	-0.4%
Commercial Vehicles	2,683,000	2,676,000	0.3%
Overall	<u>21,304,000</u>	<u>21,372,000</u>	<u>-0.3%</u>

Revenue

	<u>December-17</u>	<u>December-16</u>	<u>% Change</u>
Passenger Vehicles	63,570,000	64,294,000	-1.1%
Commercial Vehicles	30,870,000	30,695,000	0.6%
Overall	<u>94,440,000</u>	<u>94,989,000</u>	<u>-0.6%</u>

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

For the month of December 2017, traffic on the New Jersey Turnpike decreased 0.3% and toll revenue decreased 0.6% when compared to the same period in 2016. These results are ahead of CDM's projections of a decrease of 1.0% for traffic and a decrease of 1.3% for revenue for the month of December 2017. Traffic and revenue were negatively impacted by winter weather as December snowfall averaged 8.7", which is 3.9" above average and was the snowiest December since 2010. In addition, results were negatively impacted by an extra weekend day as well as Christmas Day falling on a Monday.

For the Twelve Months Ended December 31, 2017⁽¹⁾

Traffic

	<u>December-17</u>	<u>December-16</u>	<u>% Change</u>
Passenger Vehicles	227,978,000	223,634,000	1.9%
Commercial Vehicles	32,687,000	31,860,000	2.6%
Overall	<u>260,665,000</u>	<u>255,494,000</u>	<u>2.0%</u>

Revenue

	<u>December-17</u>	<u>December-16</u>	<u>% Change</u>
Passenger Vehicles	779,833,000	776,337,000	0.5%
Commercial Vehicles	371,349,000	368,221,000	0.8%
Overall	<u>1,151,182,000</u>	<u>1,144,558,000</u>	<u>0.6%</u>

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

For the twelve months ended December 31, 2017, traffic increased 2.0% and toll revenue increased 0.6% 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. These two factors resulted in a revenue reduction of over \$12 million. Traffic and revenue were also negatively impacted by winter storm Stella. When adjusting for the impacts of this storm, traffic and revenue would have increased 2.3% and 0.8%, respectively for the twelve months ended December 31, 2017. Results compare favorably to the CDM Smith projected increase of 0.3% for traffic and decrease of 0.6% for toll revenue.

Electronic toll collection remains popular and overall usage rates continue to be strong. For the twelve months ended December 31, 2017, the *E-ZPass* usage rate for passenger cars was 83.2%, and for commercial vehicles was 91.6%. This resulted in an overall *E-ZPass* usage rate of 84.2%. 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 2017⁽¹⁾

Traffic

	<u>December-17</u>	<u>December-16</u>	<u>% Change</u>
Passenger Vehicles	30,574,000	30,648,000	-0.2%
Commercial Vehicles	390,000	356,000	9.6%
Overall	<u>30,964,000</u>	<u>31,004,000</u>	<u>-0.1%</u>

Revenue

	<u>December-17</u>	<u>December-16</u>	<u>% Change</u>
Passenger Vehicles	32,281,000	32,346,000	-0.2%
Commercial Vehicles	1,186,000	1,085,000	9.3%
Overall	<u>33,467,000</u>	<u>33,431,000</u>	<u>0.1%</u>

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

For the month of December 2017, toll transactions and toll revenue on the Garden State Parkway were essentially flat when compared to December 2016. As with the New Jersey Turnpike, December 2017 monthly results as compared to December 2016 were primarily affected by the weather, one extra weekend day and the Christmas Day falling on a Monday in 2017.

For the Twelve Months Ended December 31, 2017⁽¹⁾

Toll Transactions

	<u>December-17</u>	<u>December-16</u>	<u>% Change</u>
Passenger Vehicles	387,856,000	384,586,000	0.9%
Commercial Vehicles	5,118,000	5,023,000	1.9%
Overall	<u>392,974,000</u>	<u>389,609,000</u>	<u>0.9%</u>

Revenue

	<u>December-17</u>	<u>December-16</u>	<u>% Change</u>
Passenger Vehicles	412,446,000	410,567,000	0.5%
Commercial Vehicles	15,747,000	15,537,000	1.4%
YTD Toll Revenue	<u>428,193,000</u>	<u>426,104,000</u>	<u>0.5%</u>

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

For the twelve months ended December 31, 2017, toll transactions on the Garden State Parkway increased 0.9% and revenue increased 0.5% 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. Toll transactions and revenue were also negatively impacted by winter storm Stella in March. When adjusting for this storm, Parkway toll transactions and revenue for the twelve months ended December 31, 2017 would have increased 1.1% and 0.7%, respectively. Results were on target with CDM Smiths' projections for an increase of 0.4% in toll transactions and 0.5% in toll revenue.

E-ZPass remains popular on the Garden State Parkway as electronic toll collection continues to increase. For the twelve months ended December 31, 2017, the total *E-ZPass* usage rate was 81.4%, up from 79.6% in the same period in 2016. The *E-ZPass* usage rate for passenger cars was 81.3%, and for commercial vehicles was 89.8%.

Operating Expenses

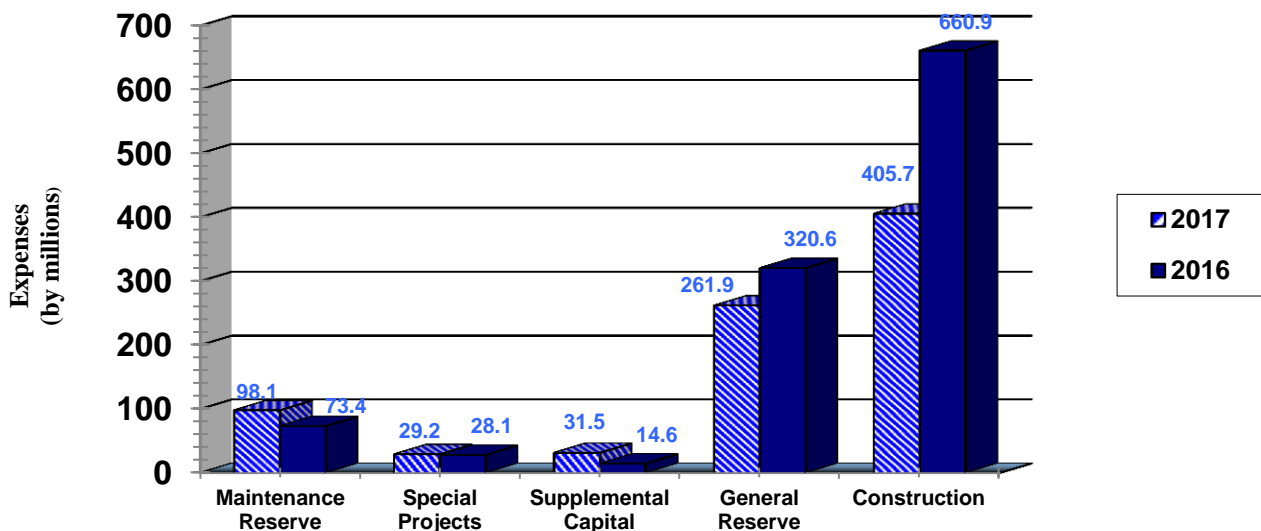
For the Twelve Months Ended December 31, 2017

	Annual Budget	YTD Expenses
<u>Maintenance of roadway, buildings & equipment</u>		
Maintenance	\$ 213,236,600	\$ 200,272,000
Engineering	11,342,700	10,899,400
Total Maintenance	224,579,300	211,171,400
<u>Toll Collection</u>		
Toll Collection	151,996,100	147,371,700
<u>State Police & Traffic Control</u>		
State Police	71,547,500	71,084,400
Operations	12,719,100	12,675,800
Total State Police and Traffic Control	84,266,600	83,760,200
<u>Technology</u>		
Integrated Technology Services	22,213,800	21,201,200
<u>General & Administrative</u>		
Executive Office	1,248,700	1,240,400
Law	10,006,700	9,813,000
Purchasing & Materials Management	9,651,400	9,600,000
Human Resources & Office Services	5,853,700	5,697,700
Finance	12,660,500	12,543,800
Patron & Customer Services	2,129,000	2,121,200
Internal Audit	4,156,600	3,928,600
Total General and Administrative	45,706,600	44,944,700
TOTAL OPERATING	\$ 528,762,400	\$ 508,449,200

For the year ended December 31, 2017, operating expenses were approximately \$508,449,200, which was 96.2% 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 \$26,426,000 for snow and severe weather costs in its operating expense budget in 2017, which was approximately \$11,676,700 under budget. 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. In 2017, the Authority charged \$7,545,000 to Extraordinary Events in its General Reserve Fund budget for Winter Storm Stella, bringing total 2017 spending on snow to \$33,972,000. When excluding snow, the Authority was at 98.2% of its 2017 operating expense budget. Lower than expected toll lane maintenance costs, savings from the new contract with Conduent for services provided at the New Jersey E-ZPass Customer Service Center, and lower than expected increases in credit card fees also contributed to operating expenses being under budget.

Capital Budget, General Reserve and Construction Fund Expenditures For the Twelve Months Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Maintenance Reserve	\$ 90,090,000	\$ 73,437,000
Special Project Reserve	29,249,000	28,133,000
Supplemental Capital	31,489,000	14,621,000
Capital Budget Total	150,828,000	116,191,000
General Reserve	261,950,000	320,584,000
Construction Fund	405,683,000	660,877,000
Total Spending	<u>\$ 818,461,000</u>	<u>\$ 1,097,652,000</u>



Capital Budget projects consist of projects funded from the Maintenance Reserve, Special Project Reserve, and Supplemental Capital funds. Current or accumulated revenues are used to support these funds. 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. The General Reserve Fund includes payments to the State of New Jersey and payments for any other corporate purpose.

For the twelve months ended December 31, 2017, total expenditures from the Capital Budget were approximately \$150,828,000. Expenditures included \$25,196,000 for Turnpike Resurfacing, \$21,933,000 for Turnpike Bridge Repairs, and \$19,661,000 for Parkway Bridge Repairs. In addition to the Capital Budget spending, the General Reserve Fund expenses totaled \$261,950,000 and consisted primarily of \$204,000,000 for the State Transportation Projects Funding Agreement 2016-2021, \$22,000,000 for the Transportation Trust Fund, and \$17,500,000 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, 2017 were approximately \$405,683,000. Expenses included \$125,466,000 for the Authority's Phase I Facilities Improvements project, \$43,644,000 for the Turnpike Interchange 14A Reconstruction project, and \$44,939,000 for the Parkway Widening from milepost 35 to 63. In addition to these expenditures, there are open contracts and commitments totaling approximately \$469,926,000.