

**New Jersey Turnpike Authority
Financial Summary
For the Nine Months Ended September 30, 2018**

ACTUAL REVENUE - January - September	\$ 1,397,388,000
ESTIMATED REVENUE - October - December	441,084,000
<i>Estimated Annual Revenue</i>	\$ 1,838,472,000
ESTIMATED ANNUAL OPERATING EXPENSES	\$ 557,951,000
<i>Estimated Net Revenue</i>	\$ 1,280,521,000
DEBT SERVICE REQUIREMENTS	792,574,000
SPECIAL PROJECT RESERVE FUND	40,490,000
MAINTENANCE RESERVE FUND	119,086,000

The following un-audited results are for the nine months ended September 30, 2018.¹ 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, 2018, the Authority is projected to have a debt service coverage ratio of 1.62 and a total requirements coverage ratio of 1.34.

The Authority's total revenue for the nine months ended September 30, 2018 was \$1,397,388,000, which is \$9,659,000, or 0.7%, above the Amended 2018 Budget. Toll revenue was \$1,208,038,000, which is \$3,771,000, or 0.3%, greater than the amended budget. Toll revenue is greater than budget due to normal growth and stable economic conditions. Revenue increased despite the effects from winter storms Grayson (January 4-5, 2018), Quinn (March 7-8, 2018), and Toby (March 21-22, 2018), which were state of emergency events. The increase in total revenue was also due in part to higher than anticipated miscellaneous revenue and income from investments. Miscellaneous revenue, which totaled \$15,991,000, was \$1,524,000, or 10.5%, greater than the amended budget due to the receipt of an additional \$1,000,000 advance payment for the Delaware River Turnpike Bridge insurance claim. Income from investments, which totaled \$21,025,000, was \$2,779,000 or 15.2% above the amended budget 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, 2018, traffic on the New Jersey Turnpike increased 1.6% and toll revenue increased 2.0% as compared to the same period in 2017. Toll transactions and revenue increased primarily due to the reopening of Interchanges 6 and 6A on the New Jersey Turnpike. Those interchanges were closed 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. Traffic and revenue were negatively impacted by winter storms Grayson, Quinn, and Toby. The storms resulted in 2,013,000 fewer transactions and \$8,283,000 less revenue when compared to similar days in January and March. When adjusting for the impacts of the storms, traffic and revenue would have increased 1.8% and 3.0%, 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. The actual and adjusted results for the nine months ended September 30, 2018 have exceeded CDM Smith's projections for traffic and revenue. Through September 2018, the E-ZPass usage rate on the New Jersey Turnpike was 85.7%, an increase from 83.9% for the same period in 2017.

For the nine months ended September 30, 2018, toll transactions on the Garden State Parkway decreased 0.3% and revenue increased 0.9% when compared to the same period in 2017, due mainly to normal growth. Toll revenue increased despite more severe winter weather in the first nine months of 2018 compared to 2017. Interchange 145 (East Orange) was converted to one-way tolling on July 26th, 2018. Transactions are now only counted in one direction. When adjusting for one-way tolling, toll transactions would have increased by 0.5%. Traffic and revenue were negatively impacted by winter storms Grayson, Quinn, and Toby. The storms resulted in 3,148,000 fewer transactions and \$3,441,000 less revenue when compared to similar days in January and March. When adjusting for the impacts of the storms, traffic and revenue would have increased 0.7% and 1.9%, respectively. The actual results for the nine months ended September 30, 2018 were under CDM's projection for toll transactions, as the projections did not include the effects of one-way tolling, and just above the projection for revenue. The toll transaction and revenue adjusted results were above projections. Through September 2018, the E-ZPass usage rate on the Garden State Parkway was 82.9%, an increase from 81.1% for the same period in 2017.

Operating expenses for the nine months ended September 30, 2018 were approximately \$358,462,000, which was 93% of the year-to-date budget. The Authority's operating expenses through September were under budget primarily due to lower than budgeted snow and severe weather costs charged to operating expenses. The Authority spent a total of \$40,604,000 for snow and severe weather costs through September 2018, with \$15,226,000 spent from the operating expense budget and an additional \$25,378,000 spent from the General Reserve Fund. All snow and severe weather costs are charged to the operating expense budget except for declared state of emergency events, which are charged to the General Reserve Fund. The Authority has spent more on snow through September 30, 2018 as it did for the entire calendar year in 2017. Excluding snow costs, operating expenses were 94% of the year-to-date budget. 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, 2018, total expenditures were approximately \$126,071,000. Expenditures included \$23,308,000 for Turnpike Resurfacing, \$18,465,000 for Turnpike Bridge Repairs and \$13,703,000 for Parkway Bridge Repairs. In addition to the Capital Budget spending, the General Reserve Fund expenses totaled \$193,893,000 and consisted primarily of \$134,250,000 for the State Transportation Projects Funding Agreement 2016-2021, \$25,378,000 for Extraordinary Events – Snow, and \$16,500,000 for the Transportation Trust Fund Agreement.

Total expenditures in the Construction Fund for the nine months ended September 30, 2018 were approximately \$202,285,000. Expenses included \$44,213,000 for NBHCE Bridge Re-decking, \$37,128,000 for the Authority's Phase I Facilities Improvements project, and \$32,758,000 for the Great Egg Harbor/Drum Channel Bridge project. In addition to these expenditures, there are open contracts and commitments totaling approximately \$404,934,000.

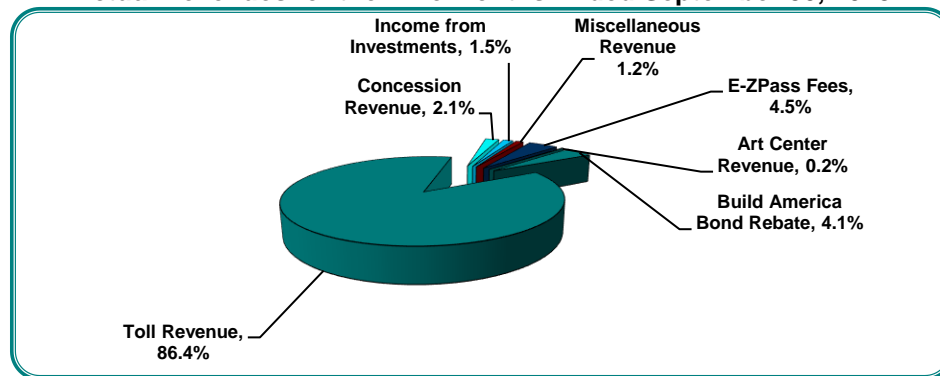
¹ These are un-audited results. Amounts and categories of revenue and expenses may change when audited.

Total expenditures from the Revenue Funded Construction Fund for the nine months ended September 30, 2018 were approximately \$1,390,000. Expenses include \$1,012,000 for the Laderman Bridge Repair Project.

Comparison of Budgeted Revenues to Actual Revenues For the Nine Months Ended September 30, 2018

	2018 Amended Budget	Unaudited Actual
<i>Toll Revenue</i>	1,204,267,000	1,208,038,000
<i>Concession Revenue</i>	31,079,000	29,239,000
<i>Income from Investments</i>	18,246,000	21,025,000
<i>Miscellaneous Revenue</i>	14,467,000	15,991,000
<i>Build America Bond Subsidy</i>	57,206,000	57,288,000
<i>Arts Center Revenue</i>	3,287,000	3,287,000
<i>E-ZPass Fees</i>	59,177,000	62,520,000
<i>Total Revenues</i>	1,387,729,000	1,397,388,000

Actual Revenues for the Nine Months Ended September 30, 2018



For the nine months ended September 30, 2018, total revenue was \$1,397,388,000, which was 0.7%, or \$9,659,000 above the Amended 2018 Budget. The increase is due mostly to higher than expected toll revenue, miscellaneous revenue, and income from investments.

Toll revenue for the period was \$1,208,038,000 which was 0.3%, or \$3,771,000 greater than the Amended 2018 Budget amount. Toll revenue was \$4,644,000 higher than the amended budget amount on the New Jersey Turnpike and \$873,000 lower than the amended budget amount 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 \$29,239,000 which was \$1,840,000 or 5.9% below the Amended 2018 Budget. Revenue was lower primarily due to lower gas sales. The Authority now receives a minimum guaranteed rent payment on the first of each month for food and fuel, with a variable payment based on sales the following month. The Authority receives 50% of the gross profit margin on all diesel fuel sold. On the Turnpike, food sales increased 8.9% while fuel sales decreased 9.6% and convenience store sales decreased by 12.7% compared to last year. The decrease in convenience store sales is due in part to the removal of cigarette sales in the gross sales calculation for 2018. On the Garden State Parkway, food sales increased 2.0%, fuel sales decreased 11.0%, and convenience store sales decreased 25.4% compared to the same period in 2017.

Investment earnings consist of income from invested operating revenues and reserve funds. Investment income was \$21,025,000, which was \$2,779,000 or 15.2% higher than the Amended 2018 Budget. Income from investments increased as short-term interest rates increased in 2018 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 \$15,991,000 which was \$1,524,000, or 10.5% higher than the Amended 2018 Budget. Miscellaneous revenue was above the Amended 2018 Budget levels due to the receipt of an additional \$1,000,000 advance payment for the Delaware River Turnpike Bridge insurance claim.

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 2018 which began in September 2017. The subsidy received was \$57,288,000, which was \$82,000 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, 2018, revenue was \$3,287,000, which was at budget.

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 \$62,520,000 was \$3,343,000, or 5.6%, higher than the Amended 2018 Budget. E-

ZPass fees were above budget in part due to interest income earned on prepaid account balances and tag deposits. For the nine months ended September 30, 2018, interest income is above budget and is up 117% from the same period in 2017 due to better returns on higher invested balances.

New Jersey Turnpike Traffic & Revenue Comparison

For the Month of September 2018⁽¹⁾

	<u>Traffic</u>		
	<u>September-18</u>	<u>September-17</u>	<u>% Change</u>
Passenger Vehicles	19,149,000	19,288,000	-0.7%
Commercial Vehicles	2,733,000	2,715,000	0.7%
Overall	<u>21,882,000</u>	<u>22,003,000</u>	<u>-0.5%</u>
	<u>Revenue</u>		
	<u>September-18</u>	<u>September-17</u>	<u>% Change</u>
Passenger Vehicles	\$ 67,420,000	\$ 67,851,000	-0.6%
Commercial Vehicles	29,752,000	29,321,000	1.5%
Overall	<u>\$ 97,172,000</u>	<u>\$ 97,172,000</u>	<u>0.0%</u>

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

For the month of September 2018, traffic on the New Jersey Turnpike decreased 0.5% and toll revenue remained flat when compared to the same period in 2017. These results are ahead of CDM's projections of a decrease of 1.9% for traffic and a decrease of 0.6% for revenue for the month of September 2018. Traffic was negatively impacted by the re-opening of the Pulaski Skyway in 2018, as some traffic returned to the free route, as well as an extra weekend day in September 2018. Weekend days have lower traffic and revenue than weekdays.

For the Nine Months Ended September 30, 2018⁽¹⁾

	<u>Traffic</u>		
	<u>September-18</u>	<u>September-17</u>	<u>% Change</u>
Passenger Vehicles	172,108,000	170,262,000	1.1%
Commercial Vehicles	25,429,000	24,247,000	4.9%
Overall	<u>197,537,000</u>	<u>194,509,000</u>	<u>1.6%</u>
	<u>Revenue</u>		
	<u>September-18</u>	<u>September-17</u>	<u>% Change</u>
Passenger Vehicles	\$ 604,868,000	\$ 600,260,000	0.8%
Commercial Vehicles	275,125,000	262,127,000	5.0%
YTD Toll Revenue	<u>\$ 879,993,000</u>	<u>\$ 862,387,000</u>	<u>2.0%</u>

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

For the nine months ended September 30, 2018, traffic increased 1.6% and toll revenue increased 2.0% when compared to the same period in 2017. Toll transactions and revenue increased primarily due to favorable economic conditions and the reopening of Interchanges 6 and 6A on the New Jersey Turnpike. Those interchanges were closed 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. Traffic and revenue were negatively impacted by winter storms Grayson, Quinn, and Toby. When adjusting for the impacts of the storms, traffic and revenue would have increased 1.8% and 3.0%, respectively for the nine months ended September 30, 2018. Results compare favorably to the CDM Smith's projections.

Electronic toll collection remains popular and overall usage rates continue to be strong. For the nine months ended September 30, 2018, the *E-ZPass* usage rate for passenger cars was 84.6%, and for commercial vehicles was 92.6%. This resulted in an overall *E-ZPass* usage rate of 85.7%. 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 2018⁽¹⁾⁽²⁾

	<u>Traffic</u>		
	<u>September-18</u>	<u>September-17</u>	<u>% Change</u>
Passenger Vehicles	31,613,000	33,002,000	-4.2%
Commercial Vehicles	419,000	441,000	-5.0%
Overall	<u>32,032,000</u>	<u>33,443,000</u>	<u>-4.2%</u>

	<u>Revenue</u>		
	<u>September-18</u>	<u>September-17</u>	<u>% Change</u>
Passenger Vehicles	\$ 35,541,000	\$ 35,279,000	0.7%
Commercial Vehicles	1,368,000	1,389,000	-1.5%
Overall	<u>\$ 36,909,000</u>	<u>\$ 36,668,000</u>	<u>0.7%</u>

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

(2) Includes the impacts of one-way tolling at interchange 145 since July 26th, 2018, as transactions are now only counted in one direction.

For the month of September 2018, toll transactions on the Garden State Parkway decreased by 4.2% and toll revenue increased by 0.7% when compared to September 2017. Toll transactions decreased due to the impacts of one-way tolling at Interchange 145. Transactions at that interchange are now only counted in one direction. One-way tolling has had minimal impacts on toll revenue.

For the Nine Months Ended September 30, 2018⁽¹⁾⁽²⁾

	<u>Traffic</u>		
	<u>September-18</u>	<u>September-17</u>	<u>% Change</u>
Passenger Vehicles	292,448,000	293,355,000	-0.3%
Commercial Vehicles	3,998,000	3,872,000	3.3%
Overall	<u>296,446,000</u>	<u>297,227,000</u>	<u>-0.3%</u>

	<u>Revenue</u>		
	<u>September-18</u>	<u>September-17</u>	<u>% Change</u>
Passenger Vehicles	\$ 315,720,000	\$ 313,112,000	0.8%
Commercial Vehicles	12,325,000	11,996,000	2.7%
YTD Toll Revenue	<u>\$ 328,045,000</u>	<u>\$ 325,108,000</u>	<u>0.9%</u>

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

(2) Includes the impacts of one-way tolling at interchange 145 since July 26th, 2018, as transactions are now only counted in one direction.

For the nine months ended September 30, 2018, toll transactions on the Garden State Parkway decreased 0.3% and revenue increased 0.9% when compared to the same period in 2017. As with the Turnpike, toll transactions and revenue increased despite severe winter weather in 2018. Toll transactions and revenue were negatively impacted by winter storms Grayson, Quinn, and Toby, which occurred in January and March of 2018. When adjusting for the storms, Parkway toll transactions and revenue for the nine months ended September 30, 2018 would have increased 0.7% and 1.9%, respectively.

E-ZPass remains popular on the Garden State Parkway as electronic toll collection continues to increase. For the nine months ended September 30, 2018, the total *E-ZPass* usage rate was 82.9%, up from 81.1% in the same period in 2017. The *E-ZPass* usage rate for passenger cars was 82.7%, and for commercial vehicles was 90.7%.

Operating Expenses

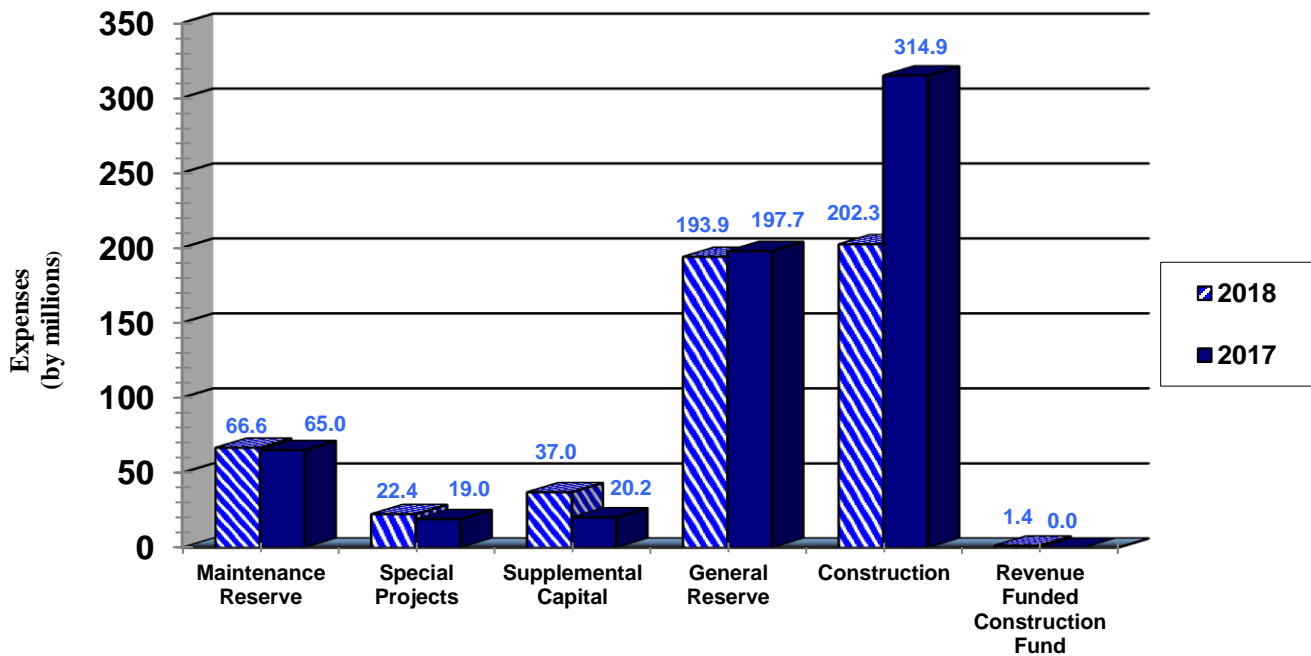
For the Nine Months Ended September 30, 2018

	Amended Annual Budget	YTD Expenses
<u>Maintenance of roadway, buildings & equipment</u>		
Maintenance	\$ 222,966,500	\$ 137,586,900
Engineering	9,717,300	5,412,600
Total Maintenance	232,683,800	142,999,500
 <u>Toll Collection</u>		
Toll Collection	171,122,600	110,413,800
 <u>State Police & Traffic Control</u>		
State Police	86,525,600	53,018,300
Operations	12,140,400	8,309,000
Total State Police and Traffic Control	98,666,000	61,327,300
 <u>Technology</u>		
Information Technology Services	23,168,100	14,040,900
 <u>General & Administrative</u>		
Executive Office	1,095,300	823,700
Law	11,041,000	5,676,100
Purchasing & Materials Management	9,560,600	6,063,900
Human Resources & Office Services	6,028,400	3,901,700
Finance	12,011,100	8,898,300
Patron & Customer Services	1,978,200	1,503,500
Internal Audit	3,596,300	2,580,300
Total General and Administrative	45,310,900	29,447,500
 TOTAL OPERATING	 \$ 570,951,400	 \$ 358,229,000

For the nine months ended September 30, 2018, operating expenses were approximately \$358,229,000, which was 62.7% of the annual budget. Operating expenses through September 2018 were under budget primarily due to lower than expected snow and severe weather costs charged to operating expenses. The Authority spent \$15,226,000 for snow and severe weather costs in its operating expense budget in the first nine months of 2018, which was approximately \$7,063,000 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. For the nine months ended September 30, 2018, the Authority charged \$25,378,000 to Extraordinary Events in its General Reserve Fund budget for Winter Storms Stella, Quinn, and Toby, bringing total 2018 spending on snow to \$40,604,000. The Authority has spent more in total on snow through September 30, 2018 as it did for the entire calendar year in 2017. When excluding snow, the Authority was at 94.0% of its year-to-date operating expense budget. Lower than expected utilities, software, consulting services, and equipment maintenance costs also contributed to operating expenses being under budget.

Capital Budget, General Reserve and Construction Fund Expenditures For the Nine Months Ended September 30, 2018

	<u>2018</u>	<u>2017</u>
Maintenance Reserve	\$ 66,664,000	\$ 64,999,000
Special Project Reserve	22,419,000	19,009,000
Supplemental Capital	36,988,000	20,222,000
Capital Budget Total	126,071,000	104,230,000
General Reserve	193,893,000	197,709,000
Construction Fund	202,285,000	314,905,000
Revenue Funded Construction Fund	1,390,000	-
Total Spending	\$ 523,639,000	\$ 616,844,000



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, as well as major technology projects. The General Reserve Fund includes payments to the State of New Jersey and payments for any other corporate purpose.

For the nine months ended September 30, 2018, total expenditures were approximately \$126,071,000. Expenditures included \$23,308,000 for Turnpike Resurfacing, \$18,465,000 for Turnpike Bridge Repairs and \$13,703,000 for Parkway Bridge Repairs. In addition to the Capital Budget spending, the General Reserve Fund expenses totaled \$193,893,000 and consisted primarily of \$134,250,000 for the State Transportation Projects Funding Agreement 2016-2021, \$25,378,000 for Extraordinary Events – Snow, and \$16,500,000 for the Transportation Trust Fund Agreement.

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, 2018 were approximately \$202,285,000. Expenses included \$44,213,000 for NBHCE Bridge Re-decking, \$37,128,000 for the Authority's Phase I Facilities Improvements project, and \$32,758,000 for the Great Egg Harbor/Drag Channel Bridge project. In addition to these expenditures, there are open contracts and commitments totaling approximately \$404,934,000. Total expenditures from the Revenue Funded Construction Fund for the nine months ended September 30, 2018 were approximately \$1,390,000. Expenses include \$1,012,000 for the Laderman Bridge Repair Project.