

**New Jersey Turnpike Authority
Financial Summary
For the Twelve Months Ended December 31, 2018**

ACTUAL REVENUE - January - December	\$ 1,864,197,000
OPERATING EXPENSES	542,494,000
Net Revenue	\$ 1,321,703,000
 DEBT SERVICE REQUIREMENTS	 788,520,000
SPECIAL PROJECT RESERVE FUND	40,490,000
MAINTENANCE RESERVE FUND	119,086,000

The following un-audited results are for the twelve months ended December 31, 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's debt service coverage ratio is 1.68 and the total requirements coverage ratio is 1.39.

The Authority's total revenue for the twelve months ended December 31, 2018 was \$1,864,197,000, which is \$31,022,000, or 1.7%, above the Amended 2018 Budget. Toll revenue was \$1,612,326,000, which is \$13,826,000, or 0.9%, greater than the amended budget. Toll revenue is greater than budget primarily due to stronger than projected commercial traffic growth on the New Jersey Turnpike. In 2018, a record level of 34.3 million commercial vehicle transactions were recorded, surpassing the previous record high in 2007 by more than 1.0 million transactions. 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 \$19,450,000, was \$2,450,000, or 14.4%, greater than the amended budget due in part to the receipt of an additional \$1,000,000 advance payment for the Delaware River Turnpike Bridge insurance claim. Income from investments, which totaled \$30,918,000, was \$8,920,000 or 40.5% 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 twelve months ended December 31, 2018, traffic on the New Jersey Turnpike increased 1.6% and toll revenue increased 2.4% as compared to the same period in 2017. Toll transactions and revenue increased primarily due to normal growth, favorable economic conditions, and strong commercial traffic. In addition, traffic and revenue increased 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 1.7% and 3.1%, respectively. CDM Smith, the Authority's traffic engineering consultant, released a draft toll revenue forecast study dated September 27, 2018. The actual and adjusted results for the twelve months ended December 31, 2018 have exceeded CDM Smith's projections of a 0.7% increase in traffic and a 1.5% increase in revenue. Through December 2018, the E-ZPass usage rate on the New Jersey Turnpike was 85.9%, an increase from 84.2% for the same period in 2017.

For the twelve months ended December 31, 2018, toll transactions on the Garden State Parkway decreased 0.8% and revenue increased 1.1% when compared to the same period in 2017, due mainly to normal growth. Toll revenue increased despite more severe winter weather in 2018 compared to 2017. Toll transactions decreased due to Interchange 145 (East Orange) being 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 0.6%. 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 would have remained flat and revenue would have increased 1.9%. The actual results for the twelve months ended December 31, 2018 were at CDM's projection for a decrease of 0.8% in toll transactions and above the projected increase of 0.8% in toll revenue. The toll transaction and revenue adjusted results were above projections. Through December 2018, the E-ZPass usage rate on the Garden State Parkway was 83.2%, an increase from 81.4% for the same period in 2017.

Operating expenses for the twelve months ended December 31, 2018 were approximately \$542,494,000, which was 95.0% of the year-to-date budget. The Authority's 2018 annual operating expenses were under budget primarily due to lower than budgeted snow and severe weather costs charged to operating expenses. The Authority spent a total of \$45,069,000 for snow and severe weather costs in 2018, with \$19,691,000 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. Snow and severe weather costs charged to operating expenses were approximately \$18,413,000 under budget. Excluding snow costs, operating expenses were 98% of the year-to-date budget.

The Capital Budget consists of Supplemental Capital, Maintenance Reserve, and Special Project Reserve Funds. For the twelve months ended December 31, 2018, total expenditures were approximately \$194,798,000. Expenditures included \$29,040,000 for Turnpike Resurfacing, \$28,194,000 for Turnpike Bridge Repairs and \$20,406,000 for Parkway Bridge Repairs. In addition to the Capital Budget spending, the General Reserve Fund expenses totaled \$237,193,000 and consisted primarily of \$166,500,000 for the State Transportation Projects Funding Agreement 2016-2021, \$25,378,000 for Extraordinary Events – Snow, and \$22,000,000 for the Transportation Trust Fund Agreement.

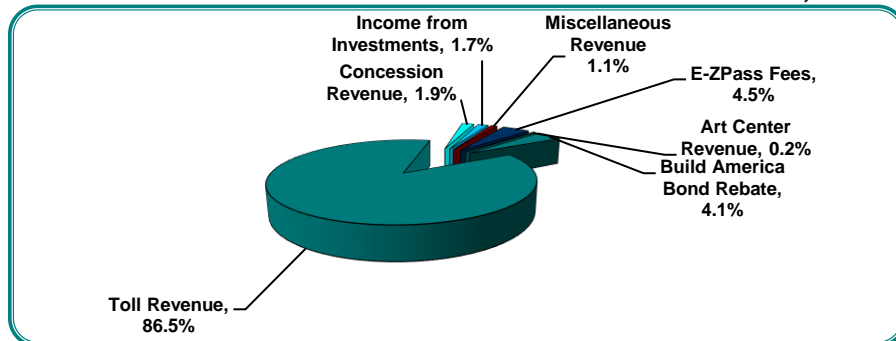
Total expenditures in the Construction Fund for the twelve months ended December 31, 2018 were approximately \$263,349,000. Expenses included \$62,984,000 for NBHCE Bridge Re-decking, \$50,259,000 for the Authority's Phase I Facilities Improvements project, and \$36,538,000 for the Great Egg Harbor/Drag Channel Bridge project. In addition to these expenditures, there are open contracts and commitments totaling approximately \$353,938,000. Total expenditures from the Revenue Funded Construction Fund for the twelve months ended December 31, 2018 were approximately \$1,961,000. Expenses include \$1,367,000 for the Laderman Bridge Repair Project.

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

**Comparison of Budgeted Revenues to Actual Revenues
For the Twelve Months Ended December 31, 2018**

	2018 Amended Budget	Unaudited Actual
Toll Revenue	1,598,500,000	1,612,326,000
Concession Revenue	40,000,000	36,303,000
Income from Investments	21,998,000	30,918,000
Miscellaneous Revenue	17,000,000	19,450,000
Build America Bond Subsidy	76,275,000	76,439,000
Arts Center Revenue	3,402,000	4,344,000
E-ZPass Fees	76,000,000	84,417,000
Total Revenues	1,833,175,000	1,864,197,000

Actual Revenues for the Twelve Months Ended December 31, 2018



For the twelve months ended December 31, 2018, total revenue was \$1,864,197,000, which was 1.7%, or \$31,022,000 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 \$1,612,326,000 which was 0.9%, or 13,826,000 greater than the Amended 2018 Budget amount. Toll revenue was \$14,023,000 higher than the amended budget amount on the New Jersey Turnpike and \$197,000 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 \$36,303,000 which was \$3,697,000 or 9.2% 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 5.4% while fuel sales decreased 10.5% and convenience store sales decreased by 15.7% 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 decreased 1.7%, fuel sales decreased 12.5%, and convenience store sales decreased 28.2% compared to the same period in 2017.

Investment earnings consist of income from invested operating revenues and reserve funds. Investment income was \$30,918,000, which was \$8,920,000 or 40.5% 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 \$19,450,000 which was \$2,450,000, or 14.4% higher than the Amended 2018 Budget. Miscellaneous revenue was above the Amended 2018 Budget levels due in part 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 \$76,439,000, which was \$164,000 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, 2018, revenue was \$4,344,000, which was \$942,000, or 27.7% higher than projected due to the receipt of a variable rent payment, which was not budgeted. The Amended 2018 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 \$84,417,000 was \$8,417,000, or 11.1%, 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 twelve months ended December 31, 2018, interest income is above budget and is up 134% from the same period in 2017 due to better returns on higher invested balances. In addition, both membership fees and administrative fee collections were above budget due to greater than anticipated volumes.

New Jersey Turnpike Traffic & Revenue Comparison

For the Month of December 2018⁽¹⁾

Traffic

	<u>December-18</u>	<u>December-17</u>	<u>% Change</u>
Passenger Vehicles	19,093,000	18,621,000	2.5%
Commercial Vehicles	2,726,000	2,683,000	1.6%
Overall	<u>21,819,000</u>	<u>21,304,000</u>	<u>2.4%</u>

Revenue

	<u>December-18</u>	<u>December-17</u>	<u>% Change</u>
Passenger Vehicles	\$ 67,826,000	\$ 65,923,000	2.9%
Commercial Vehicles	29,663,000	29,074,000	2.0%
Overall	<u>\$ 97,489,000</u>	<u>\$ 94,997,000</u>	<u>2.6%</u>

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

For the month of December 2018, traffic on the New Jersey Turnpike increased 2.4% and toll revenue increased 2.6% when compared to the same period in 2017. These results are ahead of CDM's projections of an increase of 1.1% for traffic and an increase of 0.6% for revenue for the month of December 2018. Traffic was positively impacted by mild December weather in 2018. Snowfall was 3.9 inches below average and December 2018 was the 31st least snowy December since 1895.

For the Twelve Months Ended December 31, 2018⁽¹⁾

Traffic

	<u>December-18</u>	<u>December-17</u>	<u>% Change</u>
Passenger Vehicles	230,497,000	227,979,000	1.1%
Commercial Vehicles	34,252,000	32,686,000	4.8%
Overall	<u>264,749,000</u>	<u>260,665,000</u>	<u>1.6%</u>

Revenue

	<u>December-18</u>	<u>December-17</u>	<u>% Change</u>
Passenger Vehicles	\$ 808,959,000	\$ 800,478,000	1.1%
Commercial Vehicles	370,364,000	351,260,000	5.4%
YTD Toll Revenue	<u>\$ 1,179,323,000</u>	<u>\$ 1,151,738,000</u>	<u>2.4%</u>

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

For the twelve months ended December 31, 2018, traffic increased 1.6% and toll revenue increased 2.4% when compared to the same period in 2017. Toll transactions and revenue increased mainly due to the approximate 5% increase in commercial vehicles, resulting in new record levels of commercial vehicle transactions. The 34.3 million commercial vehicles surpassed the old record from 2007 by more than 1.0 million transactions. Toll transactions and revenue also 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 1.7% and 3.1%, respectively for the twelve months ended December 31, 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 twelve months ended December 31, 2018, the *E-ZPass* usage rate for passenger cars was 84.8%, and for commercial vehicles was 92.8%. This resulted in an overall *E-ZPass* usage rate of 85.9%. 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 December 2018⁽¹⁾⁽²⁾

Traffic

	<u>December-18</u>	<u>December-17</u>	<u>% Change</u>
Passenger Vehicles	30,013,000	30,504,000	-1.6%
Commercial Vehicles	381,000	382,000	-0.3%
Overall	<u>30,394,000</u>	<u>30,886,000</u>	<u>-1.6%</u>

Revenue

	<u>December-18</u>	<u>December-17</u>	<u>% Change</u>
Passenger Vehicles	\$ 32,844,000	\$ 32,235,000	1.9%
Commercial Vehicles	1,150,000	1,195,000	-3.8%
Overall	<u>\$ 33,994,000</u>	<u>\$ 33,430,000</u>	<u>1.7%</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 December 2018, toll transactions on the Garden State Parkway decreased by 1.6% and toll revenue increased by 1.7% when compared to December 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. Toll revenue increased due mainly to mild winter weather in December 2018.

For the Twelve Months Ended December 31, 2018⁽¹⁾⁽²⁾

Traffic

	<u>December-18</u>	<u>December-17</u>	<u>% Change</u>
Passenger Vehicles	384,509,000	387,785,000	-0.8%
Commercial Vehicles	5,283,000	5,109,000	3.4%
Overall	<u>389,792,000</u>	<u>392,894,000</u>	<u>-0.8%</u>

Revenue

	<u>December-18</u>	<u>December-17</u>	<u>% Change</u>
Passenger Vehicles	\$ 416,632,000	\$ 412,396,000	1.0%
Commercial Vehicles	16,371,000	15,761,000	3.9%
YTD Toll Revenue	<u>\$ 433,003,000</u>	<u>\$ 428,157,000</u>	<u>1.1%</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 twelve months ended December 31, 2018, toll transactions on the Garden State Parkway decreased 0.8% and revenue increased 1.1% when compared to the same period in 2017. As with the Turnpike, toll revenue increased despite severe winter weather in 2018 due to normal growth and favorable economic conditions. 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 impacts of the storms, toll transactions would have remained flat and revenue would have increased 1.9%.

E-ZPass remains popular on the Garden State Parkway as electronic toll collection continues to increase. For the twelve months ended December 31, 2018, the total *E-ZPass* usage rate was 83.2%, up from 81.4% in the same period in 2017. The *E-ZPass* usage rate for passenger cars was 83.1%, and for commercial vehicles was 91.0%.

Operating Expenses

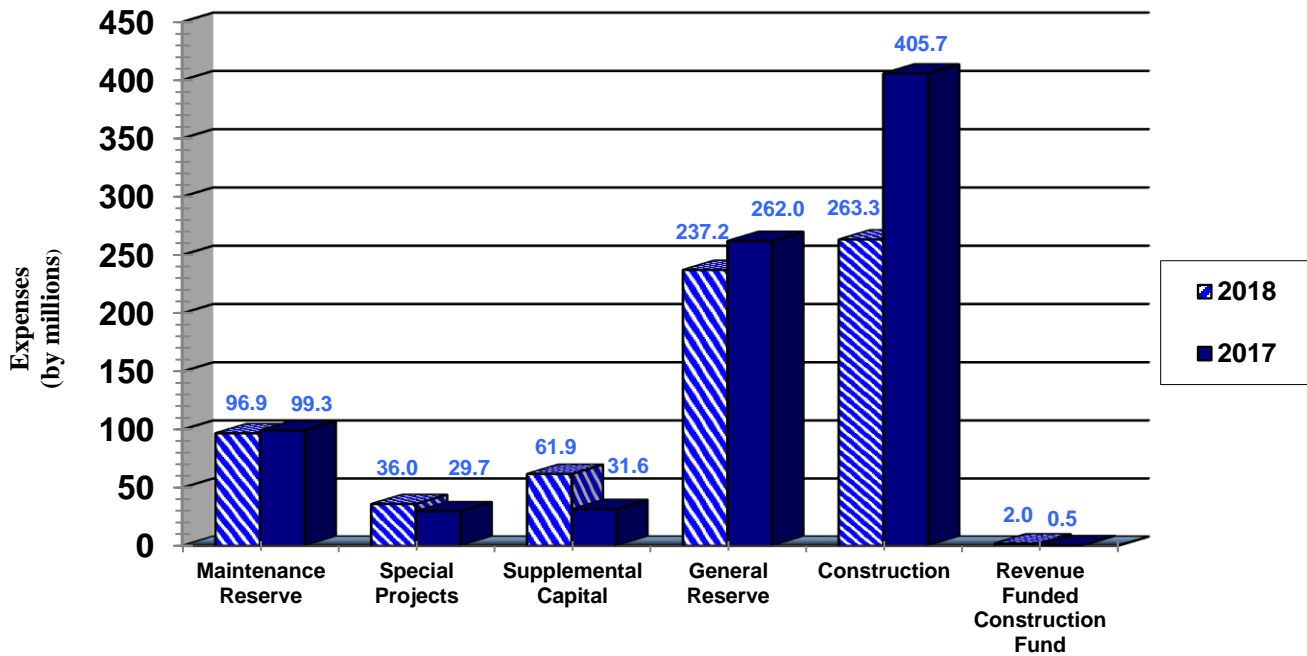
For the Twelve Months Ended December 31, 2018

	Amended Annual Budget	Annual Expenses
<u>Maintenance of roadway, buildings & equipment</u>		
Maintenance	\$ 222,966,500	\$ 212,030,000
Engineering	9,717,300	9,200,600
Total Maintenance	232,683,800	221,230,600
 <u>Toll Collection</u>		
Toll Collection	171,122,600	162,772,500
 <u>State Police & Traffic Control</u>		
State Police	86,525,600	77,514,400
Operations	12,140,400	13,501,300
Total State Police and Traffic Control	98,666,000	91,015,700
 <u>Technology</u>		
Information Technology Services	23,168,100	21,651,500
 <u>General & Administrative</u>		
Executive Office	1,095,300	1,459,100
Law	11,041,000	8,219,600
Purchasing & Materials Management	9,560,600	9,567,700
Human Resources & Office Services	6,028,400	6,103,100
Finance	12,011,100	13,963,800
Patron & Customer Services	1,978,200	2,360,500
Internal Audit	3,596,300	4,149,900
Total General and Administrative	45,310,900	45,823,700
 TOTAL OPERATING	\$ 570,951,400	\$ 542,494,000

For the twelve months ended December 31, 2018, operating expenses were approximately \$542,494,000, which was 95.0% of the annual budget. Operating expenses in 2018 were under budget primarily due to lower than expected snow and severe weather costs charged to operating expenses. The Authority spent \$19,691,000 for snow and severe weather costs in its operating expense budget in 2018, which was approximately \$18,413,000 under budget. All snow and severe weather costs are charged to operating expenses except for declared state of emergency events, which are budgeted and charged to the General Reserve Fund. In 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 \$45,069,000. When excluding snow, the Authority was at 98.0% 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. Expenses in 2018 increased over 2017 due to the wages, retroactive salary increase payments, additional pension and tax accruals from the settlement and potential settlement of all union contracts. Expenses also increased due to lower salaries and benefits charged to capital projects in 2018 reflecting lower than budgeted spending on capital projects. Final expenses and accruals in certain departments were over the amended budget for those departments, as actual expenses based on the salary and pension increases, as well as the adjustments to the salary and benefit chargeback policy, differed in final allocation as compared to the allocation assumed in the amended budget. Other departments, such as Engineering, Toll Collection and ITS, benefited positively as compared to budget based on the final allocations.

Capital Budget, General Reserve and Construction Fund Expenditures For the Twelve Months Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Maintenance Reserve	\$ 96,898,000	\$ 99,254,000
Special Project Reserve	36,004,000	29,739,000
Supplemental Capital	61,896,000	31,599,000
Capital Budget Total	194,798,000	160,592,000
General Reserve	237,193,000	261,950,000
Construction Fund	263,349,000	405,730,000
Revenue Funded Construction Fund	1,961,000	467,000
Total Spending	\$ 697,301,000	\$ 828,739,000



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 twelve months ended December 31, 2018, total expenditures were approximately \$194,798,000. Expenditures included \$29,040,000 for Turnpike Resurfacing, \$28,194,000 for Turnpike Bridge Repairs and \$20,406,000 for Parkway Bridge Repairs. In addition to the Capital Budget spending, the General Reserve Fund expenses totaled \$237,193,000 and consisted primarily of \$166,500,000 for the State Transportation Projects Funding Agreement 2016-2021, \$25,378,000 for Extraordinary Events – Snow, and \$22,000,000 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 twelve months ended December 31, 2018 were approximately \$263,349,000. Expenses included \$62,984,000 for NBHCE Bridge Re-decking, \$50,259,000 for the Authority's Phase I Facilities Improvements project, and \$36,538,000 for the Great Egg Harbor/Drag Channel Bridge project. In addition to these expenditures, there are open contracts and commitments totaling approximately \$353,938,000. Total expenditures from the Revenue Funded Construction Fund for the twelve months ended December 31, 2018 were approximately \$1,961,000. Expenses include \$1,367,000 for the Laderman Bridge Repair Project.