

# **Integrated Financial Model: Improving Financial Management**

Committee on Finance  
April 23, 2014

# Financial Planning with a long-range perspective based on reasonable assumptions

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- The Committee on Finance has overseen the development of an integrated long-term financial model, that is monitored quarterly
- This model utilizes baseline assumptions and conservative financial metrics that allow us to invest in our assets while maintaining our credit quality
- The 2014 annual budget and the 2014-2023 Capital Plan approved by the Board of Commissioners in February, were developed with a long-range perspective of the capital capacity and fiscal conditions of the Port Authority
- The quarterly monitoring process provides lead time to react to trends and adjust spending or the Capital Plan as appropriate

# The forecast process includes managing and monitoring baseline assumptions and financing strategies

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## Underlying Assumptions

- Reasonable assumptions in developing traffic patterns and ridership at our facilities, as well as the utilization of the airports
- Tolls and fares increases correspond only to those currently authorized by the Board
- Potential incremental non-toll/non-fare revenue are monitored for realization
- Development of stress case scenarios that include business and economic downside risks, which are also monitored

## Financing Strategies

- Conservative interest rate forecast
- No leveraging of non-recurring revenue
- Increased percentage of pay-as-you-go financing versus borrowing over the 10-year planning period
- Changed assumed amortization structure of tax-exempt debt to level debt service

# TB&T and PATH revenues are activity-based driven by the macroeconomic environment

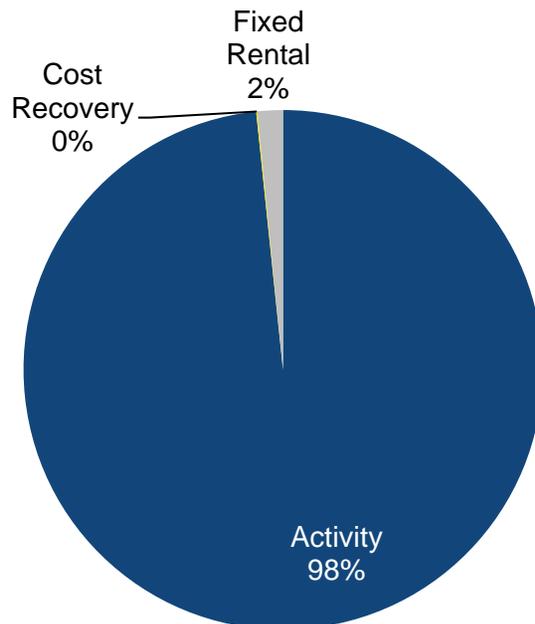
## TB&T:

- Activity-based business model (98% variable)
- Mostly driven by Auto Traffic (71% of total traffic volume)

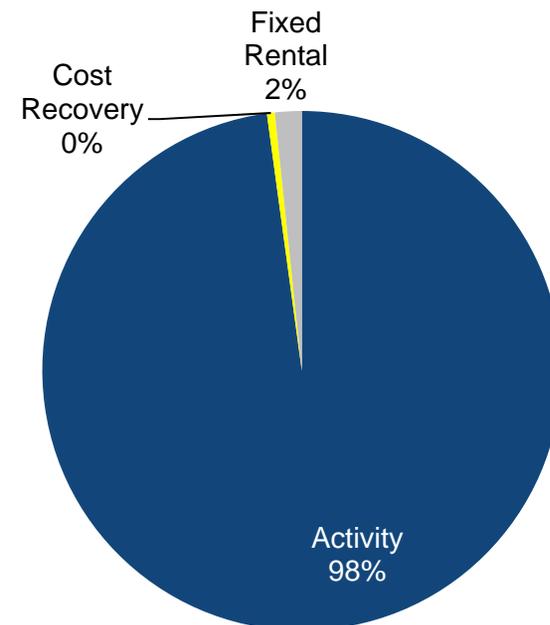
## PATH

- Activity-based business model (98% variable)
- Over the last few years, most ridership growth has occurred on the weekend
  - Allowing for better use of existing capacity

### TB&T REVENUE\* - \$1.36 BILLION

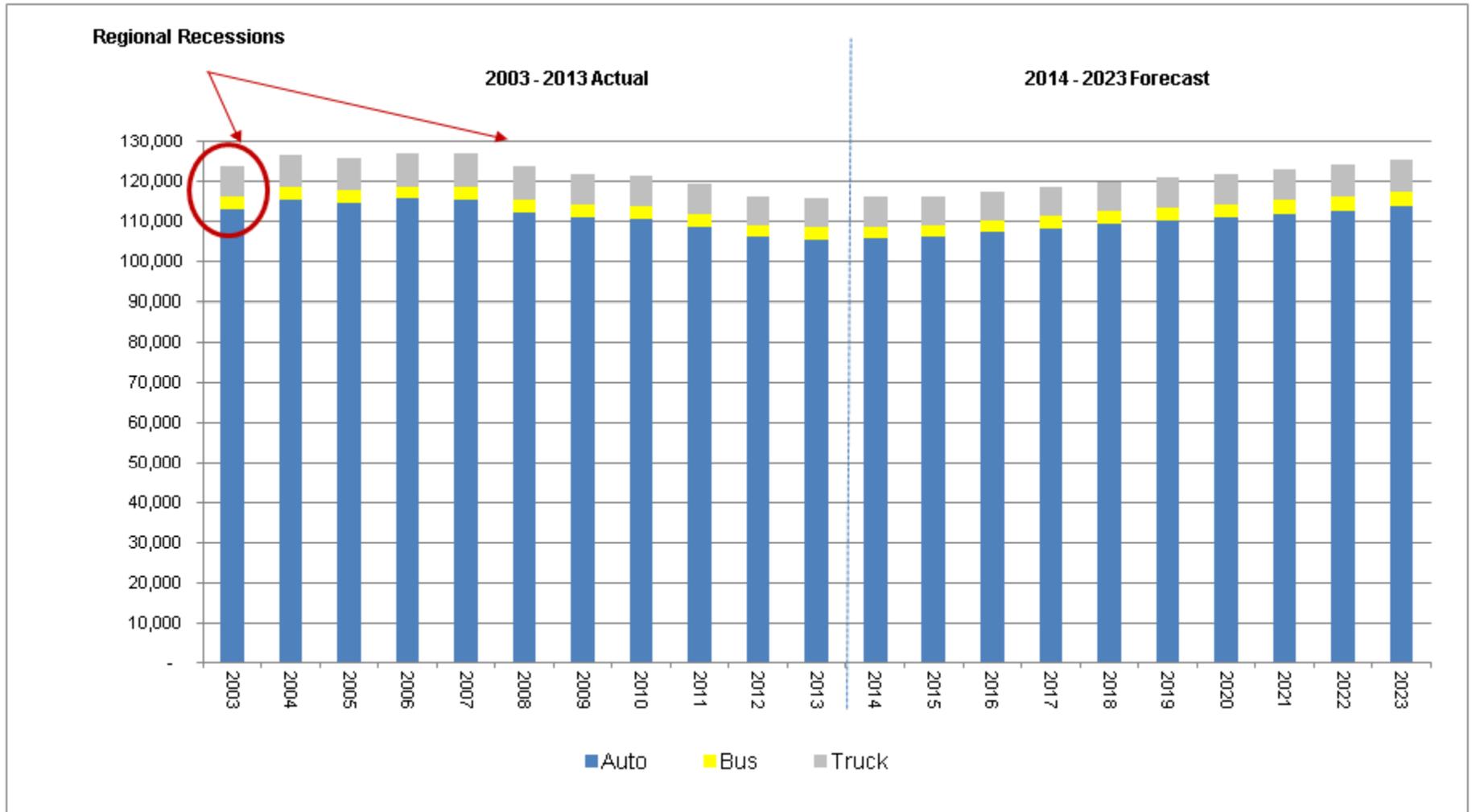


### PATH REVENUE\* - \$148 MILLION



(\*) 2013 Financial Results

# TB&T traffic forecast resulted in year over year average growth of less than 1%

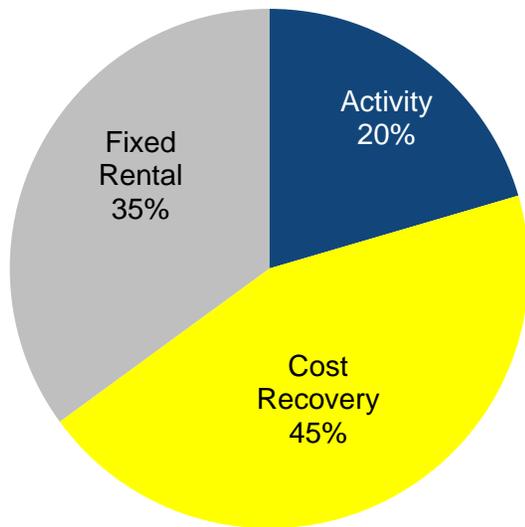


# Aviation and Port revenue are primarily fixed-based revenue driven by business arrangements with tenants and other parties

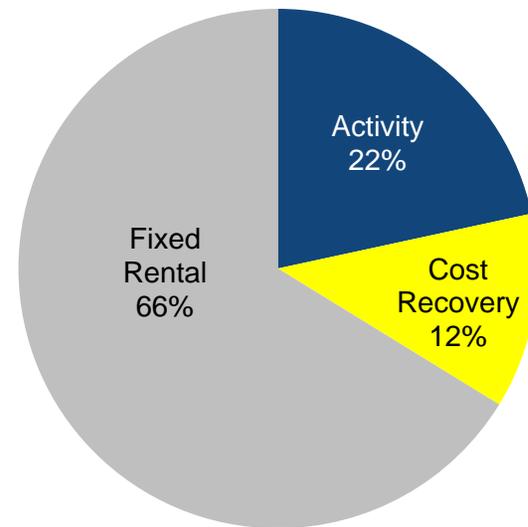
AVIATION
<ul style="list-style-type: none"> <li>■ Fixed lease-based business model                             <ul style="list-style-type: none"> <li>➢ 80% Fixed Revenues including Cost Recovery</li> <li>➢ 20% Variable/Activity-Based Revenues</li> </ul> </li> <li>■ Aviation business less exposed to changes in macroeconomic conditions</li> </ul>

PORT COMMERCE
<ul style="list-style-type: none"> <li>■ Fixed lease-based business model                             <ul style="list-style-type: none"> <li>➢ 78% Fixed Revenues</li> <li>➢ 22% Activity-Based</li> </ul> </li> </ul>

**AVIATION REVENUE\* - \$2.3 BILLION**

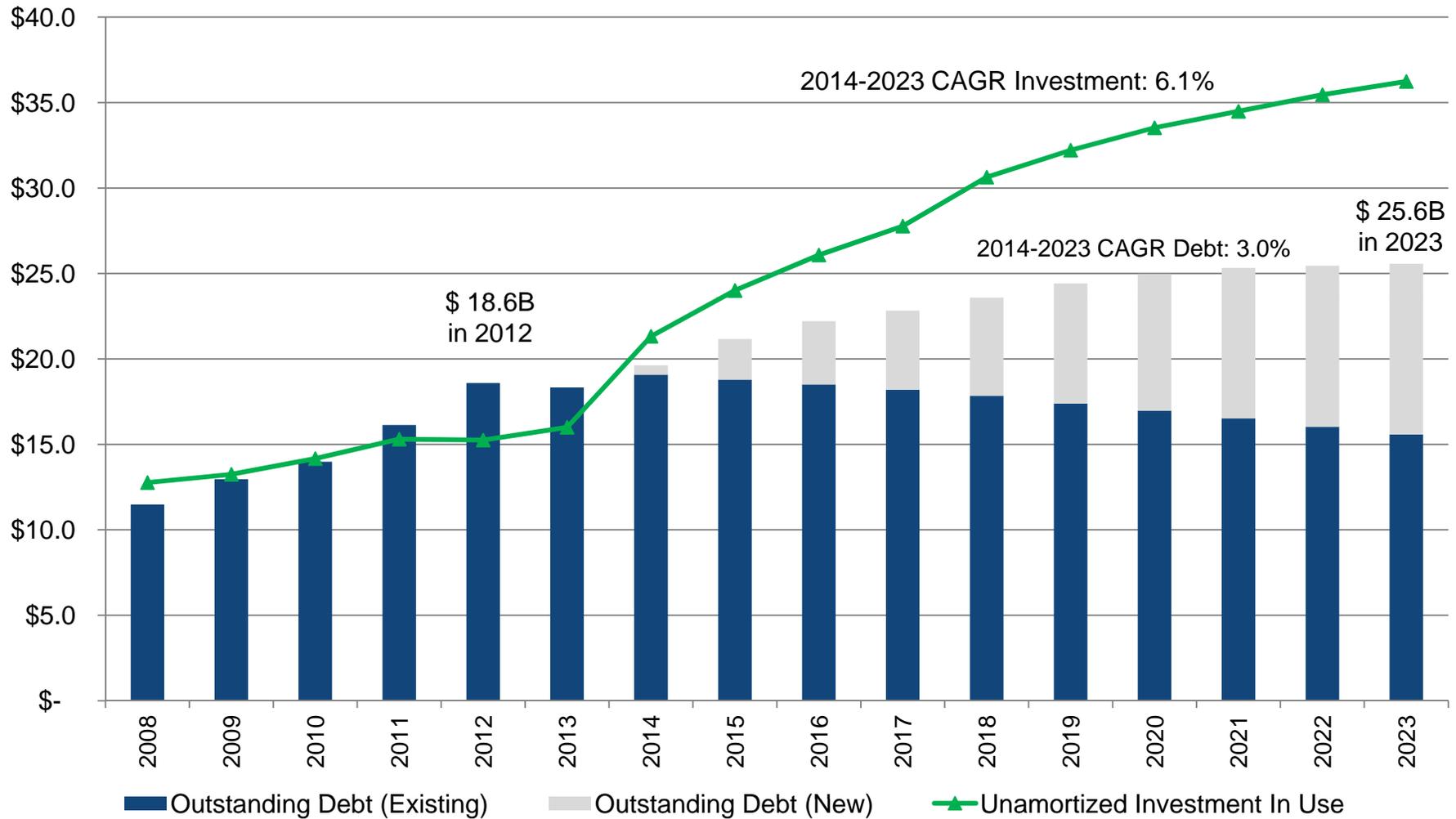


**PORT COMMERCE REVENUE\* - \$263 MILLION**



(\* ) 2013 Financial Results

# Investment in facilities continues to grow through the period, while outstanding debt remains relatively stable



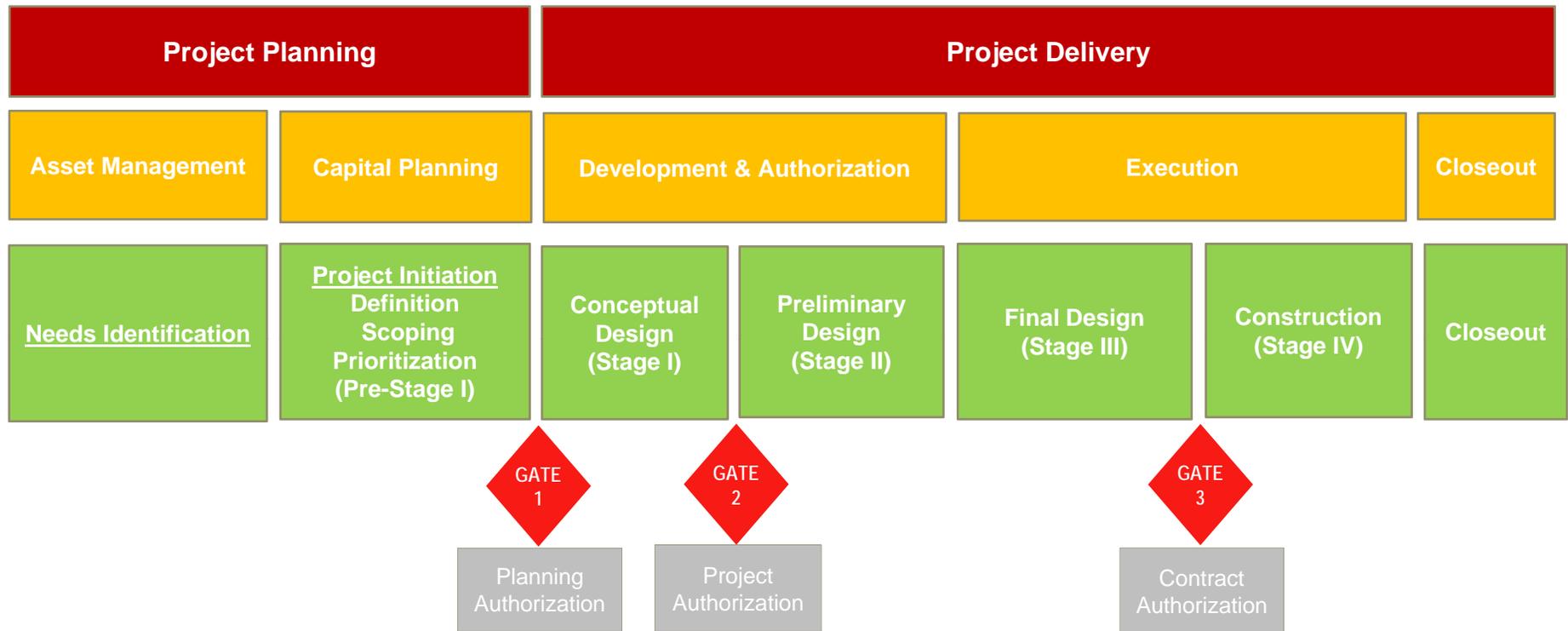
\* Outstanding Debt includes Consolidated Bonds and Notes, Commercial Paper Notes, Variable Rate Master Notes and Port Authority Equipment Notes

# We are following a disciplined approach to determining and monitoring capital capacity

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- Capital Plan is a blueprint that will be monitored and updated as necessary
- Quarterly monitoring of capital capacity and progress on delivery of the plan
- Inclusion of \$200 million in capital contingency in the first two years of the plan
- Implementation of funding gate review and project-on boarding process to review projects at defined points in the project life cycle to ensure compliance with quality standards, approved plans, strategic objectives and funding

# We are following a disciplined approach to determining and monitoring capital capacity



Gate 1 ensures:	<ul style="list-style-type: none"> <li>• Proper Project definition, scoping &amp; prioritization</li> </ul>
Gate 2 ensures:	<ul style="list-style-type: none"> <li>• Appropriate level of Project Development (cost, schedule &amp; scope)</li> <li>• Validation of available capacity prior to proceeding to Final Design</li> </ul>
Gate 3 ensures:	<ul style="list-style-type: none"> <li>• Project Compliance with existing budget &amp; authorization</li> <li>• Validation of available capacity prior to proceeding to Construction Phase</li> </ul>

# Monitoring of Capital Capacity and Delivery of Capital Plan

