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Honorable Joanne M. Mahoney
Chair, Board of Directors
New York State Thruway Authority
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Maria Lehman, PE
Interim Executive Director
New York State Thruway Authority
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Dear Chairwoman Mahoney and Ms. Lehman:

Pursuant to Public Authorities Law §365(2), the New York State Thruway Authority (the "Authority") has secured the State Comptroller's approval of the sale and the terms of its General Revenue Junior Indebtedness Obligations, Series 2016A (the "Series 2016A JIOs"), totaling \$850 million. According to the Series 2016A JIOs Official Statement, the proceeds will be used to fund a portion of the costs of the construction on the New NY Bridge ("NNYB") project, to pay capitalized interest and costs of issuance on the Series 2016A JIOs, and to make a deposit to the Series 2016A Subaccount of the Junior Indebtedness Debt Service Reserve Account.

This Office reviewed the terms of the Series 2016A JIOs, including yields, underwriter compensation and other costs of issuance. The Authority's financial advisor has indicated that investor interest in this issuance was strong and led to favorable pricing within the context of current market conditions and the Series 2016A JIOs A3/A- credit ratings by Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

As the Authority continues its work towards completion of this important project, we reiterate concerns expressed several times previously by this Office regarding the continued lack of critically important information relating to an overall plan of finance for the NNYB project, including how the cost of the project will affect toll payers and taxpayers both now and in the future.

The Authority made some improvements to the initially proposed structure for the Series 2016A JIOs, which resulted in more principal being moved forward from the end of the amortization period and lower overall debt service costs when compared to its initial proposal. However, the Authority must make further efforts to ensure that the financing structures used to support both the NNYB project and the rest of the Thruway system are cost-effective for Thruway users and developed within the context of a long-term, comprehensive, system-wide financial plan. Such a plan would give toll payers and taxpayers a clearer picture of how the Authority intends to meet its current and future operating and capital needs for which it is now making significant financial commitments. Such additional efforts will help ensure that undue costs are avoided and the Thruway system's operational and capital needs can be met.

While the Authority has yet to make public a comprehensive financing plan for the project, some information on such financing has emerged. The Authority has indicated its desire to keep tolls throughout the system at current levels through 2020, with total revenues projected to rise by a relatively modest 4.4 percent from 2016 to 2020. Figures provided in the Official Statement issued in connection with the Series 2016A JIOs indicate that the Authority's aggregate debt service costs will rise by more than \$49 million, or 19.3 percent, from 2016 through 2020. The Official Statement indicates that aggregate debt service costs in the following years, through 2031, are projected to continue to rise an additional \$120.4 million or 38.8 percent. These figures do not include debt service costs the Thruway may incur due to additional borrowing for the NNYB project and other capital projects throughout its system in the future.

The Thruway has indicated that additional bond financing totaling approximately \$518 million over 2017 and 2018 will be necessary to support completion of the NNYB project. In addition to these future borrowings relating to the NNYB project, the Authority has indicated that it plans to borrow approximately \$660 million in Senior General Revenue Bonds during the 2018-2020 period to support work not related to the NNYB project elsewhere in the Thruway system.

The Official Statement from the issuance of the Thruway's General Revenue Junior Indebtedness Obligations, Series 2013A (the "Series 2013A JIOs") in December 2013, states that "The Authority is developing a financial plan that details the funding needs for the New NY Bridge Project and the balance of the Thruway and Canal System."

It states further that the Authority “will form a toll and finance task force to assist the Board and management to identify new revenues and low cost resources to aid in the financing of the New NY Bridge Project and to mitigate the impact on local residents and commuters.”

The Authority, however, did not announce the appointment of a New NY Bridge Toll Advisory Task Force until November 2015, with its announcement indicating the task force would report its recommendations in mid-2016. As of this writing, despite the fact that construction is now well underway on the NNYB project, the Authority has indicated that the task force has not yet begun work.

The Office of the State Comptroller has previously expressed concern, extending back more than three years, regarding the need for transparency with respect to the Authority’s plans for financing the replacement of the Tappan Zee Bridge. Specifically, in the context of the substantial capital needs of the Thruway system as a whole, full disclosure as to how the Authority plans to pay for both the NNYB project and its ongoing needs, including the impact on toll payers and taxpayers now and in the future, is critical. In its presentation of information to this Office, the Authority included a “NNYB Financing Plan – Sources and Uses.” The sources of revenue listed in the presentation are the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, Thruway Authority Junior Indebtedness Obligations, and State funds, with receipts from each source shown through 2019. The accompanying figures, while helpful, do not constitute a complete financing plan.

Unfortunately, to date the Authority has provided minimal public information about the level of future tolls. A recent Standard and Poor’s credit rating report on the Thruway Authority stated: “The ratings reflect our view of the credit profile on a mature statewide toll road system that will experience a significant increase in leverage, likely requiring frequent rate increases beginning in 2020 or 2021 to maintain margins.” Thruway system users deserve to know whether they face toll increases in coming years, and what the magnitude of any such increases may be.

At the same time, Moody’s Investors Service indicated, in its most recent commentary on the Authority: “We view as a credit negative and potential credit pressure the lack of a public tolling plan to pay for the debt issued and planned to be issued to fund the NNYB and other essential thruway projects.” The success of the NNYB project rests not only on the successful completion of the new bridge, but also on the ability of the Authority to maintain and strengthen its financial condition in a manner that is fully accountable to the public.

This Office again urges the Thruway Authority to provide full transparency regarding the financial implications of this important project as soon as possible.

Sincerely,

Pete Grannis
First Deputy Comptroller