

PA. TURNPIKE COMMISSION: ACCOMPLISHING OUR MISSION*Joseph G. Brimmeier, Chief Executive Officer***Setting the Stage**

- Today, we are here to talk about the importance of adequate investment in our transportation infrastructure.
- The Turnpike turns 70 in October, and I would like to remind everyone that the commission was created at a time, much like the present, when a president was working to pull our nation out of economic hardship.
- The Turnpike was shaped by lawmakers for a definite mission: to help finance infrastructure for which there was no other financing methods available and to create job opportunities.
- Looking back over the past 70 plus years, I believe that we have been doing quite well at accomplishing that mission.

Our Mission: To operate a safe, reliable and efficient toll-road system and serve as a funding partner in building Pennsylvania's ground-transportation network for the future.

Fulfilling that mission:**• Serving as a Valued Funding Partner to Pa. for 70 years**

- Though the Turnpike saw no traffic until Oct. 1, 1940, its beginnings started three years earlier with an act of the general assembly. Act 211 of 1937 was signed by Gov. George Earle on May 21, 1937.
 - The law established a Turnpike commission to build a toll highway to join Harrisburg and Pittsburgh.
 - The act provided no money; all revenues to build the Turnpike were to come from federal grants and bonds, with tolls to repay those bonds.
 - Supported by President Franklin Delano Roosevelt, construction of the Pennsylvania Turnpike helped to create jobs under his economic-recovery program, the New Deal.
 - And with worldwide conflict looming, the Turnpike would prove to be a key strategic asset for the movement of men and materials.

• Expanding the State's Highway Network via Act 61 of 1985

- Beyond building and operating the "mainline" system, the legislature has relied on the Turnpike to initiate, complete and maintain new construction projects via Act 61 of 1985.
 - This law assigned highway projects to the Turnpike for completion and eventual tolling.
 - Most of these projects have been constructed and open to the public, including three of the seven sections of the Mon/Fayette and Southern Beltway Expressway projects.



- Though construction was partially funded with the help of state tax dollars, the resulting 75 miles of new highway are being operated and maintained by the Turnpike today without reliance on taxes.
- The remaining projects have been advanced by the Turnpike but will require the identification of additional funding for completion.

| | Project | Status |
|--------------------------|---|---|
| ✓ | Six-Lane Widening near Philadelphia | Open to Traffic |
| ✓ | Second Lehigh Tunnel | Open to Traffic |
| ✓ | Keyser Avenue Interchange | Open to Traffic |
| ✓ | Mid-County Interchange | Open to Traffic |
| ✓ | Beaver Valley Expressway (James E. Ross Highway) | Open to Traffic |
| ✓ | Amos K. Hutchinson Bypass (Greensburg Bypass) | Open to Traffic |
| ✓ | Mon-Fayette I-70 to PA-51 | Open to Traffic |
| ✓ | Mon-Fayette I-68 to PA-43 | Open to Traffic |
| ✓ | Southern Beltway PA-60 to US-22 | Open to Traffic |
| <input type="checkbox"/> | I-95 Interchange | Final Design |
| <input type="checkbox"/> | Mon-Fayette Uniontown to Brownsville (Phase 1 complete) | Phase 2 Construction - to open in 2012 |
| <input type="checkbox"/> | Mon-Fayette PA-51 to I-376 | Final Design |
| <input type="checkbox"/> | Southern Beltway US-22 to I-79 | Final Design |
| <input type="checkbox"/> | Southern Beltway I-79 to Mon-Fayette Expressway | Environmental Approval |

- **Providing New Transportation Funding via Act 44 of 2007**

- Signed by Gov. Rendell in July, 2007, the act called for toll increases on the existing Turnpike and new tolls on I-80 to provide supplemental funding for Pa.'s roads, bridges and transit.
 - Under the act, the Turnpike has supplied \$2.5 billion in new funding to PennDOT in the last three years alone.
 - Even with the denial of the state's I-80 tolling application, the act still plugs a huge gap the state transportation budget: The Turnpike will pay \$450 million annually, starting this July, for 47 years.
 - By the conclusion of the 50-year period outlined in the act, the commission will have provided nearly \$24 billion in supplemental funding for PennDOT.



- **Ready to Help Address Tomorrow's Transportation Needs**

- As was the case 25 years ago (Act 61) and three years ago (Act 44), the Pennsylvania Turnpike is ready if called upon in 2010 to help bridge the state's transportation-funding gap.
- We see tolls playing a vital part in the future of transportation financing; as the state's resident toll-highway experts, we hope to play a role in whatever solutions our lawmakers develop to address the funding crisis.

- **Running a Safe & Reliable Roadway**

- Since "Day-1" nearly 70 years ago, our key mission has been to run a safe, reliable highway.
- Our customers expect – and we deliver — a premium level of service. Regardless of weather, we are prepared to keep the roadway open and safe.
 - Our maintenance department deploys an army of resources including 750 field personnel in 21 facilities throughout the system, 278 plow-and-spreader dump trucks, 54 front-end loaders and 260 million pounds per year of salt, anti-skid and calcium.
 - The objective is to achieve bare-pavement conditions as soon as possible after a snowstorm hits and to maintain it during the storm.
- You are Never Alone on the Pennsylvania Turnpike.
 - A dedicated, 24/7 Traffic Operations Center (TOC) with unparalleled technology monitors conditions and provides emergency dispatch.
 - The TOC is linked to Turnpike police, maintenance and response vehicles on a dedicated radio network.
 - We monitor conditions via 30 Closed-Circuit TV cameras and alert customers via 30 Variable Message Signs (VMS).
 - Our Turnpike Roadway Information Program (TRIP) provides real-time alerts via the web and mobile phones.

- **Reinvesting in the Turnpike & Creating Jobs**

- We are committed to aggressively investing in improvements to the 545 miles of roadway in our charge — even with our other funding responsibilities to the commonwealth.
- The Turnpike's current capital-spending plan calls for investment of \$4.5 billion in our tolled motorways over the coming decade.
- Out of our capital spending, the main priority is highway and bridge investment, which represents nearly 89 percent of the total capital spending on the Turnpike.
- That level will create or retain approximately 117,000 jobs in the next 10 years, many with Pennsylvania engineering and construction firms.
- In the past decade our rate of annual capital spending has grown more than 150%.



Total Turnpike Capital-Plan Expenditures

| Fiscal Year | Capital Spending |
|-------------|------------------|
| 1999 | \$165,462,000 |
| 2000 | \$219,131,000 |
| 2001 | \$267,351,000 |
| 2002 | \$218,968,000 |
| 2003 | \$214,181,000 |
| 2004 | \$156,642,000 |
| 2005 | \$257,444,000 |
| 2006 | \$375,294,449 |
| 2007 | \$527,024,000 |
| 2008 | \$484,509,000 |
| 2009 | \$419,343,000 |
| 2010 | \$447,262,666 |

• Building a Better Turnpike...from the Dirt Up

- From our highway-spending plan, the lion's share — 44% — is being invested to reconstruct the Turnpike from the dirt up, completely removing all original pavement and sub base and replacing it with an entirely new roadway.
- To date, the Turnpike has built about 73 miles of new road – most of it widened to six lanes.
- The new Turnpike also has new bridges, a wider median, gentler curves and slopes, and better ramps and interchanges.
- Four major road and bridge projects totaling 19 miles of roadway are now under way across the system at a cost of \$495 million.
- Including all bridge and road work across the system, we have about \$1.2 billion of work under way in the state at the moment.
- By comparison this is more than the \$1.026 billion that Pennsylvania received for our roads and bridges under the American Recovery and Reinvestment Act of 2009(Stimulus)

Major Roadway & Bridge Reconstruction Under Way

| Project | Location | Cost | Total Length |
|--|---------------------|---------------|--------------|
| Milepost 31 to 38 | Allegheny County | \$113 million | 7 miles |
| Milepost 46.5-49.5 (Allegheny River Bridge) | Allegheny County | \$190 million | 3 miles |
| Milepost 67 to 74 | Westmoreland County | \$91 million | 7 miles |
| Milepost A73-A75 (Lehigh River & Pohopoco Creek Bridges) | Carbon County | \$101 million | 2 miles |



• More Turnpike Reconstruction in the Works

- In addition to projects being built today, we have a large number of other reconstruction projects currently in the design phase.
- Many of these are going to be moving into construction over the next 2 to 8 years.
- In FY 2011 alone, the Turnpike will bid \$500 million of new construction projects resulting in 50 miles of roadway resurfacing and 14 miles of total reconstruction.

**PA Turnpike Reconstruction Projects in Design
[See appendix on Page 9 for a detailed project listing.]**

| | |
|--|----------------------|
| # Reconstruction Projects in Design: | 14 |
| Total Miles in Design: | 85 miles |
| Combined Estimated Design Costs: | \$137 million |
| Combined Estimated Construction Costs: | \$2 billion |

• Creating a More Efficient Turnpike Commission

- We have 207 fewer full-time employees today compared to a decade ago, but with more traffic, more lane miles and more annual revenues.
 - Over the past decade, our workforce has been reduced by about 9% while the level of capital spending has almost doubled.
 - In the past decade alone, the Turnpike has expended our system by 188 NEW lane miles – these new lane miles come from brand-new toll roads (MFE & SB) as well as capacity added via six-lane widening projects.
 - A decade ago, we had annual traffic of 156 million vehicles, but in 2009 traffic had jumped more than 30 million to 188 million.
 - On the revenue side, the Turnpike earned \$363 million in toll revenues in 1999 and \$701 million in 2009.

| -- | 1999 | 2009 | % difference |
|--------------------------------|-----------------|-----------------|--------------|
| # of Employees | 2,225 | 2,018 | -9.3% |
| Traffic | 156.2 million | 188.2 million | 20.5% |
| Gross Toll Revenue | \$351 million | \$701 million | 99.7% |
| Lane Miles | 2,149 | 2,337 | 9% |
| Annual Capital Spending | \$165.5 million | \$419.3 million | 153% |

• Cutting Overhead

- The Turnpike was not immune to the economic conditions that plagued our nation. To account for a drop in traffic and revenue, we had to take steps to cut costs.
 - Eliminated approximately 60 vacant positions during fiscal 2009.



- Provided early retirement to incentive eligible staff members.
 - Implemented reduction-in-force program for positions no longer required, reduced salary and benefit expenses by cutting 15 management positions.
 - Reduced overtime by permanently shifting schedules.
 - Implemented management pay freeze during portions of fiscal 2009 and 2010.
 - Reduced expenses throughout organization including those for conferences, travel, utility, building security etc.
 - Reduced annual payroll expenses \$1 million during fiscal year 2010 by eliminating five union holidays in exchange for five vacation days.
- As a result of these cost-containment measures, the Commission met our Act 44 obligations and progressed with our capital plan.
 - The Commission has not only met all of its funding obligations through a difficult economic environment but maintained investment-grade ratings on its senior lien bonds of Aa3, A+, A+ by Moody's, Standard & Poor's and Fitch Ratings respectively — a significant accomplishment.

- **Keeping a Lid on Expenses**

- In the past two years, the Turnpike has curtailed annual operating-budget increases in an effort to cut costs.
 - Our operating budget over the past decade has seen average annual increase of almost 6 percent a year.
 - But over the last few fiscal years, we have cut operating cost increases in half.
 - In the current fiscal year, we anticipate an increase of just 1.2 percent compared to FY 2009.
 - Next FY, we expect an increase of just 3 % in our operating budget while still boosting capital spending.

- **Leveraging Technology**

- We continue to adopt new technologies — including the expansion of E-ZPass throughout the system — to limit the growth in staffing given higher traffic volumes.
 - We've seen outstanding growth in E-ZPass use, with nearly 60% of all traffic on the Turnpike paying electronically today.
 - We've installed "Express E-ZPass" capability at five toll plaza locations to enable E-ZPass motorists to pay at highway speeds.
 - We continue to reduce size of our collector workforce via attrition, with nearly 180 fewer collectors today versus before E-ZPass.



• **Creating Innovative Partnerships**

- The Commission has recently executed a number of unique partnerships with private industry in an effort to outsource expenses and focus toll dollars on improving the road.
 - A travel-plaza redevelopment agreement with HMS Host & Sunoco is allowing the Commission to provide all new plazas using private investment alone.
 - The agreement is saving the Commission the expense of \$170 million to build new, larger travel plazas and gas stations.
 - In all, 17 new facilities are being rebuilt exclusively with private investment.
 - So far, six new Turnpike plazas have opened since the Commission initiated the agreement in 2005, with two more facilities (Bowmansville and Lawn) to be rebuilt starting this fall.
 - In 2007, State Farm and the Pennsylvania Turnpike Commission launched a partnership to enhance highway safety with the State Farm Safety Patrol.
 - This program employs a fleet of dedicated vehicles to provide first-responder services to Turnpike motorists.
 - The State Farm Safety Patrol includes 28 branded, Turnpike-owned and operated vehicles staffed by Turnpike employees who provide roadside assistance.
 - Safety Patrols respond to accidents, provide traffic control, assist with debris clean up and communicate incident-scene data to the Traffic Operations Center about the nature and severity of accidents or bad weather.
 - The Commission relies on the expertise of a private partner, TransCore, to operate the “back-office” operations of its extensive E-ZPass program, including the E-ZPass Customer Service Center (CSC) and Violations Processing Center (VPC).
 - The TransCore-run CSC manages 840,000 active E-ZPass accounts (private and commercial combined) representing nearly 1.5 million tags or transponders.
 - The TransCore-run VPC mails more than 450,000 E-ZPass violation notices a year and collects over \$12 million in violations.
 - The CSC and VPC handle call volumes of more than 1.1 million calls a year — almost 95,000 a month on average.
 - Having a private-sector partner perform these vital functions eliminated the need to bring them in house, leading to a savings of payroll, benefits and facilities costs for the Turnpike.



- **Boosting Transparency**

- In 2008, the Turnpike introduced an online Electronic Bidding System to bolster transparency. We also publish contracts on our internet site (www.paturnpike.com) under “Doing Business with the Turnpike.”
- Last December, the Turnpike Commissioners approved a resolution to modify the process used to hire professional-service providers such as bond and legal counsel – and to maximize competition.
 - Under the resolution, the Commission solicits proposals or qualifications from firms interested in applying for inclusion in pre-established, professional services “pools.”
 - The resolution applies to outside legal counsel; bond counsel; tax and financial counsel; investment banking; bond underwriters; bond trustees; financial advisors and advisory services; commercial banking; investment advisory services; business development consultants; real estate appraisal services and review appraisal services; real estate title and closing services; and property management services.

- **Elevating Ethical Standards**

- In fiscal year 2009, the Turnpike created the Office of Inspector General (OIG) to aggressively investigate all reports of theft, fraud and waste.
 - In its inaugural year of operation, the Office of Inspector General investigated 138 cases.
 - Tips and investigative activities led to the termination of 32 Pennsylvania Turnpike employees.
 - OIG helped the commission save or recover more than \$1 million in all just in year one.
 - The \$1 million came through payroll and benefits savings combined with termination of outside contracts and restitution.

- **Employing Top Professionals**

- Waste and fraud are the exception at the Turnpike, not the rule. We’re proud of the job our nearly 2,100 hard-working men and women do every single day.
 - We often point to our engineering department as a prime example of our skilled workforce.
 - Our engineering department employs a highly trained, credentialed team of 144 professionals to meet the challenges of the 545-mile highway system.
 - We have 33 in-house Professional Engineers (PE’s) on staff to oversee a heavy workload of design projects.
 - Our construction field staff holds national-level industry certifications.
 - In addition, the Turnpike employs top-level professionals with certifications such as architects, environmental scientists, surveyors, geologists, etc.



APPENDIX

Pa. Turnpike Reconstruction Projects in Design (arranged from west to east)

Milepost 40-48 (Allegheny County)

Designer: McCormick Taylor Inc.

Design Cost: \$12.25 million

- Anticipated Construction Start: 2015
- Anticipated Completion: 2018
- Mainline Engineering Estimate: \$230-\$250 million

Milepost 99-109 (Somerset County)

Designer: DMJM Harris Inc.

Design Cost: \$12 million

- Anticipated Construction Start: Spring 2011
- Anticipated Completion: Fall 2016
- Mainline Engineering Estimate: \$130-\$150 million

Milepost 128-134 (Somerset and Bedford Counties)

Designer: JMT Inc.

Design Cost: \$6.7 million

- Anticipated Construction Start: 2014
- Anticipated Completion: 2017
- Mainline Engineering Estimate: \$170-\$190 million

Milepost 149-155 (Bedford County)

Designer: GAI Consultants Inc.

Design Cost: \$8 million

- Anticipated Construction Start: 2016
- Anticipated Completion: 2019
- Mainline Engineering Estimate: \$130-\$150 million

Milepost 180-186 (Fulton and Huntingdon Counties)

Designer: McCormick Taylor Inc.

Design Cost: \$8 million

- Anticipated Construction Start: 2019
- Anticipated Completion: 2022
- Mainline Engineering Estimate: \$120-\$140 million



Milepost 199-202 (Franklin & Cumberland Counties)**Designer:** KCI Technologies Inc.**Design Cost:** \$2.75 million

- Anticipated Construction Start: 2011
- Anticipated Completion: 2012
- Mainline Engineering Estimate: \$40-\$50 million

Milepost 202-206 (Cumberland County)**Designer:** KCI Technologies Inc.**Design Cost:** \$3.5 million

- Anticipated Construction Start: 2014
- Anticipated Completion: 2016
- Mainline Engineering Estimate: \$40-\$50 million

Milepost 206-211 (Cumberland County)**Designer:** KCI Technologies Inc.**Design Cost:** \$3 million

- Anticipated Construction Start: 2012
- Anticipated Completion: 2014
- Mainline Engineering Estimate: \$60-\$70 million

Milepost 215-220 (Cumberland County)**Designer:** Buchart Horn Inc.**Design Cost:** \$3 million

- Anticipated Construction Start: 2011
- Anticipated Completion: 2013
- Mainline Engineering Estimate: \$60-\$70 million

Milepost 220-227 (Cumberland County)**Designer:** Buchart Horn Inc.**Design Cost:** \$4.5 million

- Anticipated Construction Start: 2013
- Anticipated Completion: 2015
- Mainline Engineering Estimate: \$85-\$100 million

Milepost 242-245 (York County)**Designer:** Wilbur Smith Associates Inc.**Design Cost:** \$6 million

- Anticipated Construction Start: Winter 2012
- Anticipated Completion: Fall 2015
- Mainline Engineering Estimate: \$50-\$70 million



Milepost 312-319 (Chester County)**Designer:** URS Corp.**Design Cost:** \$20 million

- Anticipated Construction Start: 2018
- Anticipated Completion: Summer 2021
- Mainline Engineering Estimate: \$200-\$220 million

Milepost 320-326 (Chester and Montgomery Counties)**Designer:** STV Inc.**Design Cost:** \$24.6 million

- Anticipated Construction Start: 2013
- Anticipated Completion: 2016
- Mainline Engineering Estimate: \$220-\$240 million

Milepost A20-A30 (Northeastern Extension, Montgomery County)**Designer:** Urban Engineers Inc.**Design Cost:** \$22.5 million

- Anticipated Construction Start (southern 6-mile section): Spring 2011
- Anticipated Completion (southern 6-mile section): Fall 2014
- Mainline Engineering Estimate (both sections combined): \$350-\$375 million

Upcoming Reconstruction Design Projects

- Milepost A31-A37 — Northeastern Extension, Montgomery County
- Milepost A37-A44 — Northeastern Extension, Bucks & Montgomery Counties

