

# MAINE STATE LEGISLATURE

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# MOVING MAINE



MAINE TURNPIKE AUTHORITY    ANNUAL REPORT 2008

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Left to right: Authority Member Douglas A. Volk, Chairman Gerard P. Conley, Sr., and Vice Chairman Lucien B. Gosselin.



Dear Traveler,

Ever since the southern stretch of the Maine Turnpike first opened to travelers in 1947, it has served as a bellwether of the state's economy. The year 2008 was no different. The traffic and revenue numbers offer a glimpse of a state – and a region – challenged by high fuel costs and a contracting economy.

Yet traffic volumes are only part of the story, and this annual report also looks behind those daily statistics to an innovative business community that is moving Maine into the future. From handcrafting classic boats and marketing native forest products, to attracting thousands of active outdoor enthusiasts, there is a spirit of innovation, creativity and resilience that will always be the engine of Maine's economy. The Maine Turnpike is a critical link for those businesses. It is the road that brings visitors to Maine and Maine products to markets throughout the world. And as businesses throughout the state continue to innovate and create products and services that are sought the world over, the Turnpike remains the safest, most efficient overland route for shipping their products, technology and equipment.

For its part, the Maine Turnpike Authority has worked with state and community leaders to meet the challenges of the current economy. With traffic and revenue decreasing for the first time in the organization's history, the Authority has had to make difficult choices. Still, as an organization charged with the care and maintenance of a critical piece of Maine's transportation infrastructure, we understand how important it is that the highway remains a safe, efficient conduit for the goods and services that are at the heart – and the future – of our economy.

We appreciate the strong community support we receive and the constant encouragement to keep thinking ahead. We especially would like to thank Governor Baldacci, the Maine Legislature, community leaders, our employees, contractors and especially our customers who helped us make 2008 a safe and successful year.

Sincerely,

Gerard P. Conley, Sr.  
Chairman

Paul E. Violette  
Executive Director

## Maine Turnpike Authority

The Maine Turnpike Authority was established by the Maine Legislature as an independent state agency in 1941. It was charged with the task of constructing and maintaining a user fee highway that, in the six decades since, has become the lifeline of Maine's economy. The initial 45-mile length of the Maine Turnpike from Kittery to Portland was completed in 1947. It was the first "superhighway" in New England and only the second modern toll highway built in the United States. A 64-mile extension between Portland and Augusta, including a three-mile spur in Falmouth, was completed in 1955.

The 109-mile Maine Turnpike includes 65 miles of divided four-lane and 44 miles of divided six-lane highway, 176 bridges, 19 interchanges, 19 toll plazas, seven maintenance facilities, five service plazas, an administrative building, an *E-ZPass* customer service center and a state police headquarters. The Maine Turnpike continues to serve as the state's most important artery, handling an average of 204,000 vehicle transactions daily and a total of 74.5 million vehicle transactions in 2008.

A seven-person board, appointed by Maine's governor and confirmed by the Maine Senate, governs the Maine Turnpike Authority. This board oversees maintenance, construction, operation, finance and management of Maine's most traveled highway. In 2008, the following seven individuals served on the Maine Turnpike Authority.



**Gerard P. Conley, Sr.**  
*Chairman*  
Retired, Chairman, Maine  
Unemployment Compensation  
Commission  
Former President, Maine Senate  
Residence: Portland, Cumberland County



**Lucien B. Gosselin**  
*Vice Chairman*  
President, Lewiston/Auburn Economic  
Growth Council  
Residence: Lewiston, Androscoggin  
County



**Harland C. Goodwin**  
*Member*  
General Manager, Spring Hill Restaurant  
and Banquet Facility  
Residence: South Berwick, York County



**Douglas A. Volk**  
*Member*  
President, Volk Packaging Corporation  
Residence: Portland, Cumberland County



**Richard E. Valentino**  
*Member*  
Retired attorney, business owner  
and developer  
Residence: Saco, York County



**Thomas B. Federle**  
*Member*  
Attorney  
Residence: Hallowell, Kennebec County



**Gregory G. Nadeau**  
*Member Ex-Officio*  
Deputy Commissioner, Maine  
Department of Transportation  
Residence: Lewiston, Androscoggin  
County

## Capital improvements

The Maine Turnpike Authority follows a 20-year business plan that enables it to perform timely and critical repairs to protect its investment in the highway, bridges and buildings. During the 2008 construction season, the Authority completed \$48.2 million in capital improvement projects to keep the Maine Turnpike safe and efficient.

### Pavement rehabilitation

Pavement rehabilitation is a priority of the Maine Turnpike Authority's 20-year capital plan. Like a roof on a house, pavement serves to protect the valuable highway substructure beneath the roadway surface. Studies show that proper and timely pavement maintenance can result in major cost savings and significantly extend the life of the highway. On average, the Maine Turnpike Authority repaves all sections



A paving crew near Mile 82. The Turnpike Authority resurfaced 33 lane miles of the highway in 2008.

of the highway every 12 to 15 years.

In 2008, Pike Industries of Lewiston, Maine completed the following major paving projects, which included guardrail upgrades and drainage improvements.

- 7.4 miles of southbound lanes between Cumberland (Mile 57) and Gray (Mile 64)
- 4.4 miles of north and southbound lanes between Lewiston (Mile 81) and Sabattus (Mile 85)
- Exit ramps and toll plaza approaches at the Gardiner/ I-295 Interchange (Mile 103)
- 1/4 mile of preventative surface repairs in Wells (Mile 18)

**M O V I N G   M A I N E**



**Maine**, more than almost any other state in the union, relies on its highways to move its products and services to markets throughout the region. Eighty-five percent of all freight in Maine moves on our highways (the national average is just 78 percent) – and the majority of those shipments travel on the Maine Turnpike. Since it first opened in 1947, the Maine Turnpike Authority has remained committed to constantly maintaining and improving the highway, so it can keep Maine – its people and its businesses – moving as safely and as efficiently as possible.

## Bridge rehabilitation

Bridge rehabilitation continues to be a priority for the Maine Turnpike Authority. The Authority oversees the maintenance and repair of 176 bridges within the highway corridor. Twenty years ago, with many of its bridges approaching the end of their structural lifespan, the Turnpike embarked on a major bridge rehabilitation program. Over the past 10 years, the Authority has rehabilitated 48 bridges. The rigorous rehabilitation program has paid off with increased safety and improved travel conditions for Maine Turnpike customers.

In November of 2008, Wyman and Simpson Inc. of Richmond, Maine, completed the construction of a new, two-lane bridge to carry the Mayall Road over the Turnpike at Mile 67 in New Gloucester. The new bridge replaced one of only three remaining single-lane bridges that pass over

the highway. Wyman and Simpson also completed major repairs on the following bridges:

- Dutton Hill Road in New Gloucester (Mile 59)
- Royal River in Gray (Mile 71)
- Route 122 in Auburn (Mile 74)
- West Gardiner Interchange (Mile 102)

CPM Constructors of Freeport, Maine completed major repairs on the following bridges:

- Chases Pond Road in York (Mile 7)
- I-295 in Scarborough (Mile 44)
- Eagles Nest Bridge in Gray (Mile 71)

## Bridge painting

Atlas Painting of Amherst, New York (there are no bridge painting companies in Maine), completed the following bridge painting projects to protect the steel and extend the life of the structures.

- Dutton Hill in Gray (Mile 59)

- Furbush Road in Sabattus (Mile 87)
- Maple Street in Farmingdale (Mile 106)
- Litchfield Road in Hallowell (Mile 107)
- Winthrop Road in Hallowell (Mile 108)

## Traveler services

In addition to programs that preserve and protect the highway surface and its bridges, the Maine Turnpike Authority maintains operational and traveler service facilities critical to providing a safe and efficient experience for its customers. In 2008, the Authority saw significant progress on major capital improvement initiatives that promise to create new efficiencies and improve safety and customer service for years to come.

MOVING MAINE



## Boat building

Maine has a rich boatbuilding heritage that spans four centuries. Today approximately 450 companies based in the state design and build boats – from traditional wooden yachts to vessels crafted from high tech composites. Nearly 5,000 Maine jobs are tied to the boatbuilding industry, and industry sales are estimated to be \$650 million annually.



In business since 1971, Sabre Yachts of Casco, Maine, relies on the Maine Turnpike, not only to ship its classically elegant yachts to devoted customers located outside of Maine's border, but also for transporting the hundreds of components that go into every handcrafted motor yacht and sailboat they build.





In 2008, the Maine Turnpike completed a three-year program to modernize its service plazas. The West Gardiner facility opened in November 2008.

### **West Gardiner Service Plaza completed**

In November of 2008, the Maine Turnpike Authority opened a new, state-of-the-art service plaza conveniently located between the Maine Turnpike and Interstate 295 in West Gardiner. The new plaza replaced the aging and outdated plazas in Lewiston and Litchfield.

The opening of the new West Gardiner Service Plaza marked the

completion of the Maine Turnpike Authority's three-year program to modernize its network of traveler service facilities. In 2007, the Authority completed the reconstruction of the north and southbound facilities in Kennebunk, the northbound facility in Gray and the southbound facility in Cumberland.

The West Gardiner Service Plaza is a notable example of different levels of government working jointly to develop

creative, practical and cost-effective solutions to challenging problems. The Maine Turnpike Authority, Maine Department of Transportation (MaineDOT), Federal Highway Administration, City of Gardiner and Town of West Gardiner worked closely together to provide a safe, convenient and welcoming plaza that will encourage truck drivers, business travelers, tourists and Maine drivers to rest and refresh during their trips.

Successful service plazas are one of the best tools for promoting highway safety. They also provide an important source of non-toll revenue that the Turnpike Authority uses for road and bridge repair projects. It is estimated that the new network of service plazas will generate an average of \$7 million per year over the next 30 years.

The new West Gardiner Service Plaza is approximately 19,000 square feet and features an airy food court, patio seating and spacious rest facilities.



6 In addition to offering a wide variety of popular food, refreshment and convenience choices, the plaza also features the state's first Center for Maine Craft. The 2,500-square-foot retail center provides a one-of-a-kind showplace for Maine's most admired craftspeople. The plaza includes 135 car and 35 truck parking spaces and a modern fuel station operated by C.N. Brown, a Maine-based fuel company.

Langford and Low of Portland, Maine, was the general contractor for the plaza buildings. Pike Industries/Bridgecorp of Lewiston, Maine, installed water and sewer lines and R.J. Grondin & Sons of Gorham conducted the environmental mitigation project. The total cost of the plaza, completed on time and on budget, was \$11.5 million, with the Maine Turnpike contributing \$6.7 million and MaineDOT \$4.8 million. More than one million travelers are expected to visit the West Gardiner Plaza in 2009.



The Center for Maine Craft, at the new West Gardiner plaza, will market Maine creativity to thousands of travelers annually.

#### Consolidating Turnpike operations

In 2008, the Turnpike Authority made major progress on the construction of an Administration and Public Safety Building just off Exit 46 in Portland.

The building will allow for the consolidation of administrative staff, *E-ZPass* customer service and Maine State Police Troop G into a single, efficient and accessible location. Currently, those operations are spread among four different buildings, two owned by the Authority, two leased, and all in need of extensive investment and renovation.

By consolidating operations in a single location and discontinuing the practice of leasing space and renovating leased space, the Authority estimates savings and equity gains of \$22 million over the next 20 years. The Administration and Public Safety Building, which is being constructed to earn certification as a Leadership in Energy and Environmental Design (LEED) building, is scheduled to be complete in the second quarter of 2009.

The building's location will make it more convenient for customers to

## MOVING MAINE



Maine's tourism industry is a \$10 billion sector of the state economy that supports 144,000 jobs through four seasons. According to the Maine Office of Tourism, the state receives an estimated 10 million marketable overnight tourism trips annually. Approximately 294,000 of those trips are for destination events such as sporting events, fairs, festivals and other special events.



Peak Performance Multisport in Portland, Maine, sponsors more than three dozen sporting events throughout the year, including the state's largest marathon, the Peak Performance Maine Marathon. The Portland-based business estimates between 20 and 50 percent of athletes at the races it sponsors come from outside Maine and that 80 percent of the 2,500 runners who competed in the 2008 Maine Marathon traveled on the Maine Turnpike to reach the starting line.

## Tourism



visit the *E-ZPass* Customer Service Center, attend public meetings and meet with staff. It will provide a safer, more secure and updated headquarters for Maine State Police Troop G. The troop, funded entirely by the Authority, currently operates out of an 18th century farmhouse near Exit 45 in South Portland. The space is too small for the police troop that has grown by 10 officers since 1986. The new site is not only larger, it also will provide a safe entry and exit for Maine State Police troopers and travelers seeking their assistance.

The Administration and Public Safety Building was designed by SMRT of Portland, Maine, and is being constructed by Wright Ryan Construction, also of Portland.

### **Greater Portland Area Capacity and Safety Study postponed**

A decline in Maine Turnpike traffic

volume persuaded the Maine Turnpike Authority board of directors to postpone a comprehensive study of capacity issues on the nine-mile stretch of highway that runs through greater Portland from Exit 44 in Scarborough to Exit 53 in Falmouth. The study was initiated in 2007 at the request of MaineDOT and the Portland Area Comprehensive Transportation Committee. It was based on a 2006 traffic analysis indicating that with only moderate peak hour traffic growth of 2.1 percent, the stretch of highway would reach "poor" levels of service by 2010. However, the slumping economy managed to hold traffic volumes below even the most conservative projections. For example in 2008, peak hour traffic growth in the study area declined by 4.2 percent. The board opted to postpone the study until economic and traffic projections could be made with more confidence.

## **Highway maintenance**

The Maine Turnpike is a major economic link that connects Maine citizens and businesses throughout the region. Keeping the highway, its bridges and other facilities safe, efficient and convenient is paramount to the Authority's mission. The Authority maintains seven maintenance centers within the highway corridor. Working from these locations, the Turnpike's experienced and skilled maintenance staff manages the day-to-day care of the highway – from snow plowing in the winter and brush removal in the spring to traffic control and roadway repair throughout the year.

Maintenance staff also are responsible for keeping the grounds and facilities of Turnpike service plazas attractive and in good order. During summer high traffic and winter nights, maintenance staff work as safety patrols



8 that monitor the highway and aid travelers that may be stranded due to mechanical problems.

Turnpike snow removal crews spent plenty of long days and nights clearing the highway during the 2007-2008 winter season. More than 103 inches of snow fell in the greater Portland area – nearly 36 inches above the normal level. Snowfall amounts north and west of Portland were even greater, with 132 inches falling in Gray, 129 inches in Auburn and 143 inches in Gardiner. The high snowfall required snow removal crews to log more than 19,000 overtime hours during the season.

## Traffic management

### Protecting the public

The Maine Turnpike is patrolled 24 hours a day, seven days a week by Maine State Police Troop G. Troop G

has an authorized complement of 25 troopers, three corporals, five sergeants, one troop detective and a lieutenant. Troop G's \$5.7 million annual operating budget is funded entirely by Turnpike Authority toll revenues.

In 2008, Troop G responded to 10,883 calls for service, including traffic accidents, criminal cases, drug seizures, and various other activities. Troop G's traffic enforcement program employs aircraft, marked and unmarked cruisers and the latest laser and radar speed measuring technology.

Last year, troopers issued 63,000 traffic citations and warnings, assisted more than 6,000 disabled vehicles and arrested more than 140 drunk or drugged drivers. Throughout 2008, the troop placed greater emphasis on speed enforcement in construction zones and at toll plazas. Troop G specializes in commercial vehicle enforcement, and in 2008 checked more than 1,528 trucks,

placing more than 400 temporarily out of service due to safety violations. Troopers issued 2,310 summonses for commercial vehicle violations.

### Investing in alternatives

Investment in alternative travel modes is another priority in the Maine Turnpike Authority's traffic demand management program – including operation of park & ride lots, support of carpools, vanpools and transit through co-funding of the GO MAINE commuter assistance program and the ZOOM Turnpike Express with the MaineDOT. Spurred by rising fuel costs, a record number of new commuters were drawn to both of these programs in 2008.

In the period from January 1 to December 30, 2008, GO MAINE's database grew by 74 percent to 7,301 commuters. The program logged 509 active carpools and 33 commuter vanpools for the year. The ZOOM

## MOVING MAINE



The forest products industry is one of the largest drivers of the Maine economy, contributing \$6.9 billion to local economies and accounting for 22.3 percent of all Maine exports. With an annual payroll of \$1.15 billion, the industry directly employs 25,000 individuals in the manufacture and shipping of wood products, paper, biomass fuels and other forest products.



Established in 1848, Hancock Lumber Company is a sixth generation, family owned business operating a land company, a sawmill division and several retail stores from central offices in Casco, Maine. In 2008, the company estimates it shipped approximately 57 million board

feet – or 1,900 truckloads – of finish grade white pine lumber via the Maine Turnpike to retailers and builders throughout the country.

## Forest products





More than 100 inches of snow caused Maine Turnpike maintenance crews to work long hours.

Turnpike Express commuter bus, now in its 10th year of operation, served 47,155 passengers during 2008 – a 78 percent increase over 2007. The Turnpike also maintains and operates 15 Park & Ride lots from York to West Gardiner with a total of 1,112 available spaces (four of the lots are owned by MaineDOT). In 2008, the Turnpike opened a new overflow lot on North Street in Saco to handle increased parking from carpoolers and ZOOM

riders. The heightened interest in lower cost alternative modes was mirrored at all of the Turnpike's Park & Ride lots where occupancy increased by 22 percent in 2008.

### ***E-ZPass***

*E-ZPass* continued to be popular among Turnpike customers. The Maine Turnpike's *E-ZPass* Customer Service Center issued 17,057 new *E-ZPass* tags in 2008, bringing the total number of active Maine *E-ZPass* tags to 157,423. Of those tags issued, 123,996 were issued to personal accounts and 33,427 were issued to business accounts. By year's end, more than 52 percent of Maine Turnpike customers were paying their tolls with *E-ZPass*, reducing congestion, emissions and highway operating costs. An analysis by the Turnpike's chief consulting engineer estimates the *E-ZPass* system has saved \$8 million - \$10 million per year in staffing and

operating costs since its adoption in 2005. The analysis also found that, without the efficiency of *E-ZPass*, the Turnpike would have had to invest tens of millions of dollars to reconstruct and expand toll plazas to accommodate traffic volumes.

### **Maine *E-ZPass* rates high with customers**

The Maine Turnpike Authority is one of the few *E-ZPass* agencies to operate its own customer service center. A 2008 survey of Maine Turnpike *E-ZPass* customers indicates that the decision to keep operations local is paying off.

In August of 2008, the Maine Turnpike Authority engaged Strategic Marketing Services of Portland, Maine, to conduct a random phone survey of 400 Maine *E-ZPass* customers. The purpose of the survey was to find out how satisfied people were with the *E-ZPass* system and the customer



10 service they have received. Here are some of the highlights:

**97** percent of respondents are either “very” (76 percent) or “somewhat” (21 percent) satisfied with *E-ZPass*.

**96** percent either “strongly” (73 percent) or “somewhat” (23 percent) believe that *E-ZPass* has improved the flow of traffic through toll plazas.

**50** percent have called the *E-ZPass* Customer Service Center.

**55** percent have visited the *E-ZPass* Customer Service Center.

**49** percent have visited the Maine Turnpike’s *E-ZPass* web site.

**92** percent were “very” (82 percent) or “somewhat” (10 percent) satisfied with the politeness and courtesy of the staff.

**92** percent were “very” (79 percent) satisfied or “somewhat” (13 percent) satisfied with the knowledge level of the staff.



**90** percent were “very” (74 percent) or “somewhat” (16 percent) satisfied with the overall experience with the Customer Service Center.

To review the entire survey, please visit [www.maineturnpike.com](http://www.maineturnpike.com)

## Traffic and revenues

A total of 74.5 million vehicle transactions were recorded on the Maine Turnpike in 2008, a decrease of 2.76 percent compared to 2007 (76.6 million vehicle transactions). The struggling economy, high and unstable gas prices and a snowy winter contributed to the traffic decline. Two-thousand-and-eight was the first year in the Maine Turnpike’s 61-year history in which toll revenues were less than those collected in the previous year. Toll revenues for 2008 totalled \$81.5 million, a decrease of 3.61 percent compared to 2007 (\$84.5 million).

Traffic transactions during the first quarter of 2008 decreased by 0.66 percent compared to the previous year, while revenues dropped by 0.54 percent.

The second quarter saw a 1.78 percent drop in transactions and a 2.12 percent drop in revenue. Third quarter



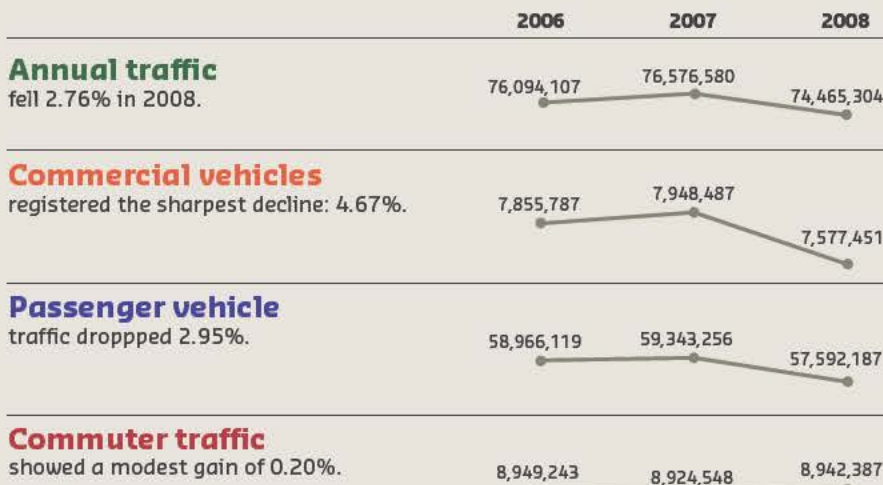
traffic transactions fell 4.67 percent while revenue fell 4.98 percent. Fourth quarter traffic transactions were down 3.17 percent and revenues were down 6.15 percent.

#### Board approves toll rate adjustment

On December 12, 2008, confronted by declining traffic volumes and toll revenues and skyrocketing construction and maintenance costs, the Maine Turnpike Authority board of directors approved a toll rate adjustment effective February 1, 2009. The adjustment was designed to raise an additional \$21 million annually for essential highway and bridge repairs.

The Maine Turnpike's last toll increase was in February of 2005. Since 2005, the overall cost of construction increased by more than 55 percent. The cost of specific highway maintenance products has been even more staggering. For example, the cost of

### Change in Turnpike traffic, 2006 - 2008



MOVING MAINE



*Food  
manufacturing*

The food manufacturing industry in Maine employs approximately 5,500 individuals with an annual payroll of \$190 million. From traditional Maine food products including lobsters and potatoes to regional delicacies like whoopie pies, the industry ships more than \$1.8 billion in products to markets around the world.

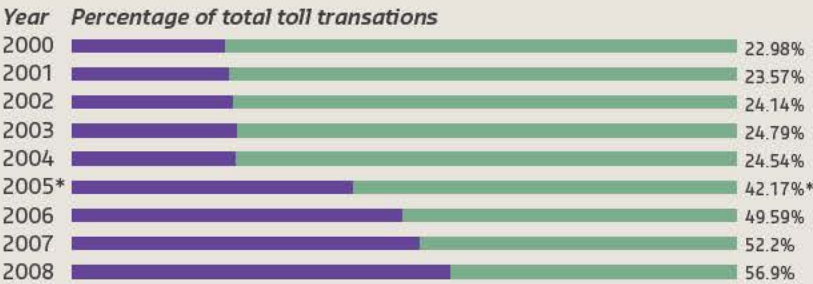
Founded in 1998, Isamax Snacks bakes 8,000 whoopie pies daily at its Gardiner, Maine, kitchens. The company estimates that, in 2008, it shipped more than 1.6 million of its pies – praised by gourmets around the world, including Oprah Winfrey – via the Maine Turnpike to customers throughout the United States.



12 paving material increased by about 82 percent and winter de-icing salt by 83 percent. Meanwhile, over the same period of time, toll revenues increased by less than 1 percent

To make more money available for the highway and bridge program and to reduce the magnitude of the toll adjustment, the Authority has made significant cuts in its legislatively approved operating budget. Through technology, efficiency and staff reductions, the Authority reduced its operating budget by \$1.6 million in 2007 and by \$3.2 million in 2008. The 2009 operating budget will be reduced by nearly \$4 million. According to data collected by the Federal Highway Administration, the Maine Turnpike Authority allocates a higher percentage of its revenue to capital improvements and a lower percentage of revenue to administration than any other toll highway in the northeast.

Percentage of toll revenue collected through electronic toll collection, 2000 - 2008



\* Maine E-ZPass system becomes compatible with all other E-ZPass agencies, allowing out-of-state subscribers to pay electronically on the Maine Turnpike.

Following the recommendations of a Citizens Advisory Committee on Toll Rates, the Authority's board of directors approved a toll structure designed to minimize increases for Maine *E-ZPass* users, who tend to be regular users of the Turnpike. Most Maine *E-ZPass* users will see an

increase, but it will be lower than that experienced by cash-paying customers.

Cash tolls

Today, cash paying customers account for about 43 percent of the toll transactions on the Maine Turnpike. *E-ZPass* subscribers account for



57 percent of the toll transactions.

Under the toll adjustment, the cash toll price to enter the Turnpike at side interchanges will increase from 60 cents to \$1. The cash toll at the York Plaza will increase from \$1.75 to \$2, the New Gloucester Plaza from \$1.25 to \$1.75, and the Gardiner/I-295 Plaza from 60 cents to \$1.

The cash toll for traveling the entire length of the highway will be \$5 or 4.7 cents per mile. After the toll adjustment, Maine Turnpike's per-mile rate is expected to remain in the lower quarter of all U.S. toll roads – many of which are also contemplating or have recently approved rate increases.

### **E-ZPass tolls**

In keeping with the recommendations of the Citizens Toll Rate Advisory Committee, the toll adjustment enhances the savings and equity opportunities offered by *E-ZPass* when



compared to cash tolls. The number of Maine *E-ZPass* Turnpike movements receiving a toll discount will increase from 35 percent to 51 percent. The average *E-ZPass* discount will increase from 12 percent to 29 percent.

### **E-ZPass Commuter Program**

The toll adjustment will maintain the popular *E-ZPass* commuter discount program. Currently more than 17,000

Maine people are enrolled in the program that provides the largest discount of any similar program in the nation. Subscribers pay a quarterly fee for unlimited travel between any two exits. The fees are structured to guarantee that a commuter traveling five days a week will receive at least a 50 percent discount off the regular *E-ZPass* toll price.

### **Commercial vehicle tolls**

The Maine Turnpike Authority maintains seven classifications of vehicles based on the number of axles and tires. Under the adjustment, tolls for each vehicle class will increase by the same percentage that has been applied to passenger vehicles. The Maine Turnpike's volume discount program for commercial vehicles will remain the same.

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## *Construction*

Construction is a major sector of the Maine economy, creating and sustaining more than 25,000 jobs and an annual payroll estimated at \$1.02 billion. Highway construction is a significant contributor to the state's construction industry.

In 2008, as the construction industry throughout the region faced challenges from high fuel and material costs, the Maine Turnpike Authority followed through on a \$48.2 million capital improvement program that supported good paying jobs for more than 700 private sector Maine construction workers.



14 **Maine Turnpike Authority**  
**Toll Revenue and Transaction Comparison 2008**  
*Cash Basis Presentation*

Toll Revenue				
	2008	2007	%	Change
<b>January</b>				
Net Toll Revenue	5,628,871.44	5,585,391.37	0.78%	43,480.07
Volume Discount	(155,948.57)	(152,312.18)	2.39%	(3,636.40)
Commuter Revenue	955,186.26	948,672.15	0.69%	6,514.11
<b>Net Fare Revenue</b>	<b>6,428,109.03</b>	<b>6,381,751.34</b>	<b>0.73%</b>	<b>46,357.69</b>
<b>February</b>				
Net Toll Revenue	5,356,831.42	5,348,570.97	0.15%	8,260.45
Volume Discount	(138,575.52)	(132,301.23)	4.74%	(6,274.29)
Commuter Revenue	71,782.35	69,840.62	2.78%	1,941.73
<b>Net Fare Revenue</b>	<b>5,290,038.25</b>	<b>5,286,110.36</b>	<b>0.07%</b>	<b>3,927.89</b>
<b>March</b>				
Net Toll Revenue	5,885,568.92	6,031,151.74	-2.41%	(145,582.82)
Volume Discount	(150,392.00)	(153,235.18)	+1.89%	2,892.38
Commuter Revenue	27,534.65	30,581.65	-9.96%	(3,047.00)
<b>Net Fare Revenue</b>	<b>5,762,710.77</b>	<b>5,908,448.21</b>	<b>-2.47%</b>	<b>(145,737.44)</b>
<b>1ST QUARTER</b>				
Net Toll Revenue	16,871,271.78	16,965,114.08	-0.55%	(93,842.30)
Volume Discount	(444,918.99)	(437,898.59)	1.60%	(7,018.40)
Commuter Revenue	1,054,503.26	1,049,094.42	0.52%	5,408.84
<b>Net Fare Revenue</b>	<b>17,480,858.05</b>	<b>17,576,309.91</b>	<b>-0.54%</b>	<b>(95,451.86)</b>
<b>April</b>				
Net Toll Revenue	6,178,643.15	6,017,278.04	2.68%	161,365.11
Volume Discount	(147,899.64)	(135,100.03)	9.47%	(12,799.61)
Commuter Revenue	900,704.54	910,051.89	-1.03%	(9,347.35)
<b>Net Fare Revenue</b>	<b>6,931,448.05</b>	<b>6,792,229.70</b>	<b>2.05%</b>	<b>139,218.35</b>
<b>May</b>				
Net Toll Revenue	6,872,633.28	7,124,931.60	-3.54%	(252,298.32)
Volume Discount	(152,706.21)	(151,063.64)	1.09%	(1,642.57)
Commuter Revenue	91,225.85	89,757.50	1.64%	1,468.35
<b>Net Fare Revenue</b>	<b>6,811,152.92</b>	<b>7,063,625.46</b>	<b>-3.57%</b>	<b>(252,472.54)</b>
<b>June</b>				
Net Toll Revenue	7,172,495.86	7,505,550.07	-4.44%	(333,054.21)
Volume Discount	(158,082.18)	(142,468.21)	10.96%	(15,613.97)
Commuter Revenue	27,116.55	14,955.00	81.32%	12,161.55
<b>Net Fare Revenue</b>	<b>7,041,530.23</b>	<b>7,378,035.86</b>	<b>-4.56%</b>	<b>(336,505.63)</b>
<b>2ND QUARTER</b>				
Net Toll Revenue	20,223,772.29	20,647,759.71	-2.05%	(423,987.42)
Volume Discount	(458,687.03)	(426,632.88)	7.01%	(30,054.15)
Commuter Revenue	1,019,046.94	1,014,764.19	0.42%	4,282.75
<b>Net Fare Revenue</b>	<b>20,784,132.20</b>	<b>21,233,891.02</b>	<b>-2.12%</b>	<b>(449,758.82)</b>
<b>YTD 6/30</b>				
Net Toll Revenue	37,095,044.07	37,612,873.79	-1.38%	(517,829.72)
Volume Discount	(803,604.02)	(896,531.47)	4.28%	(37,872.55)
Commuter Revenue	2,073,550.20	2,063,858.61	0.47%	9,691.59
<b>Net Fare Revenue</b>	<b>38,264,990.25</b>	<b>38,810,200.93</b>	<b>-1.40%</b>	<b>(545,210.68)</b>

Transactions				
	2008	2007	%	Change
<b>January</b>				
Passenger	3,897,124	3,907,712	-0.27%	(10,588)
Commercial	614,910	615,496	-0.10%	(586)
Commuter	784,857	770,939	1.81%	13,918
Non Revenue	34,713	34,592	0.35%	121
<b>Total Transactions</b>	<b>5,331,604</b>	<b>5,328,741</b>	<b>0.05%</b>	<b>2,863</b>
<b>February</b>				
Passenger	3,732,172	3,770,357	-1.01%	(38,185)
Commercial	566,202	552,559	2.47%	13,643
Commuter	702,569	668,249	5.14%	34,320
Non Revenue	42,248	31,839	32.69%	10,409
<b>Total Transactions</b>	<b>5,043,191</b>	<b>5,023,004</b>	<b>0.40%</b>	<b>20,187</b>
<b>March</b>				
Passenger	4,126,618	4,222,639	-2.27%	(96,021)
Commercial	609,783	636,455	-4.19%	(26,672)
Commuter	786,741	790,578	-0.49%	(3,837)
Non Revenue	32,141	34,801	-7.64%	(2,660)
<b>Total Transactions</b>	<b>5,555,283</b>	<b>5,684,473</b>	<b>-2.27%</b>	<b>(129,190)</b>
<b>1ST QUARTER</b>				
Passenger	11,755,914	11,900,708	-1.22%	(144,794)
Commercial	1,790,895	1,804,512	-0.75%	(13,617)
Commuter	2,274,167	2,229,766	1.99%	44,401
Non Revenue	109,102	101,232	7.77%	7,870
<b>Total Transactions</b>	<b>15,930,078</b>	<b>16,036,218</b>	<b>-0.66%</b>	<b>(106,140)</b>
<b>April</b>				
Passenger	4,277,100	4,252,406	0.58%	24,694
Commercial	655,096	628,034	4.31%	27,062
Commuter	782,622	737,552	6.11%	45,070
Non Revenue	25,625	31,610	-18.93%	(5,985)
<b>Total Transactions</b>	<b>5,740,443</b>	<b>5,649,602</b>	<b>1.61%</b>	<b>90,841</b>
<b>May</b>				
Passenger	4,927,123	4,987,543	-1.21%	(60,420)
Commercial	682,138	734,823	-7.17%	(52,685)
Commuter	761,173	792,062	-3.90%	(30,889)
Non Revenue	26,533	27,697	-4.20%	(1,164)
<b>Total Transactions</b>	<b>6,396,967</b>	<b>6,542,125</b>	<b>-2.22%</b>	<b>(145,158)</b>
<b>June</b>				
Passenger	5,172,395	5,406,251	-4.33%	(233,856)
Commercial	673,848	712,454	-5.42%	(38,606)
Commuter	744,718	756,349	-1.54%	(11,631)
Non Revenue	24,461	26,291	-6.96%	(1,830)
<b>Total Transactions</b>	<b>6,615,422</b>	<b>6,901,345</b>	<b>-4.14%</b>	<b>(285,923)</b>
<b>2ND QUARTER</b>				
Passenger	14,376,618	14,646,200	-1.84%	(269,582)
Commercial	2,011,082	2,075,311	-3.09%	(64,229)
Commuter	2,288,513	2,285,963	0.11%	2,550
Non Revenue	76,619	85,598	-10.49%	(8,979)
<b>Total Transactions</b>	<b>18,752,832</b>	<b>19,093,072</b>	<b>-1.78%</b>	<b>(340,240)</b>
<b>YTD 6/30</b>				
Passenger	26,132,532	26,546,908	-1.56%	(414,376)
Commercial	3,801,977	3,879,823	-2.01%	(77,846)
Commuter	4,562,680	4,515,729	1.04%	46,951
Non Revenue	185,721	186,830	-0.59%	(1,109)
<b>Total Transactions</b>	<b>34,682,910</b>	<b>35,129,290</b>	<b>-1.27%</b>	<b>(446,380)</b>

Toll Revenue					Transactions				
	2008	2007	%	Change		2008	2007	%	Change
<b>July</b>									
Net Toll Revenue	8,575,645.60	8,656,612.40	-0.94%	(80,966.80)	Passenger	6,346,572	6,586,785	-3.65%	(240,213)
Volume Discount	(163,575.20)	(164,492.76)	-11.34%	20,917.56	Commercial	715,878	711,950	0.55%	3,928
Commuter Revenue	892,570.49	912,937.46	-2.23%	(20,366.97)	Commuter	716,884	703,192	1.95%	13,692
Net Fare Revenue	9,304,641.09	9,385,057.10	-0.86%	(80,416.01)	Non Revenue	25,593	26,241	-2.47%	(648)
<b>August</b>					Total Transactions	7,804,927	8,028,168	-2.78%	(223,241)
Net Toll Revenue	8,715,354.49	8,282,030.97	-6.11%	(533,323.52)	Passenger	6,765,449	7,027,827	-3.73%	(262,378)
Volume Discount	(156,840.60)	(157,411.43)	-0.55%	871.03	Commercial	662,802	756,862	-12.43%	(94,060)
Commuter Revenue	93,437.90	87,806.90	6.41%	5,631.30	Commuter	688,807	740,255	-6.95%	(51,448)
Net Fare Revenue	8,652,251.79	9,212,425.94	-6.08%	(560,174.05)	Non Revenue	24,919	27,193	-8.36%	(2,274)
<b>September</b>					Total Transactions	8,141,977	8,552,137	-4.80%	(410,160)
Net Toll Revenue	6,703,167.45	7,327,143.76	-8.52%	(623,976.31)	Passenger	4,917,369	5,391,344	-8.79%	(473,975)
Volume Discount	(177,875.56)	(156,117.45)	13.94%	(21,758.13)	Commercial	641,148	657,582	-2.50%	(16,434)
Commuter Revenue	27,315.15	26,437.90	3.32%	877.25	Commuter	757,311	727,248	4.13%	30,063
Net Fare Revenue	6,552,607.02	7,197,464.21	-8.96%	(644,857.19)	Non Revenue	24,958	23,767	5.01%	1,191
<b>3RD QUARTER</b>					Total Transactions	6,340,786	6,799,941	-6.75%	(459,155)
Net Toll Revenue	23,994,167.74	25,285,787.03	-5.03%	(1,271,619.29)	Passenger	18,029,390	19,005,956	-5.14%	(976,566)
Volume Discount	(497,991.38)	(498,021.94)	-0.01%	30.46	Commercial	2,019,828	2,126,394	-5.01%	(106,566)
Commuter Revenue	1,013,323.54	1,027,181.96	-1.35%	(13,858.42)	Commuter	2,163,002	2,170,695	-0.35%	(7,693)
Net Fare Revenue	24,509,499.90	25,794,947.05	-4.98%	(1,285,447.25)	Non Revenue	75,470	77,201	-2.24%	(1,731)
<b>October</b>					Total Transactions	22,287,690	23,380,246	-4.67%	(1,092,556)
Net Toll Revenue	6,613,856.32	7,215,918.92	-5.57%	(602,062.60)	Passenger	4,976,674	5,153,752	-3.43%	(176,678)
Volume Discount	(162,190.92)	(182,216.41)	-11.02%	20,085.49	Commercial	660,806	727,927	-9.25%	(67,321)
Commuter Revenue	699,414.74	917,290.26	-1.95%	(117,875.52)	Commuter	795,392	808,721	-1.65%	(13,329)
Net Fare Revenue	7,551,140.14	7,950,992.77	-5.03%	(399,852.63)	Non Revenue	25,687	26,507	-3.09%	(820)
<b>November</b>					Total Transactions	6,458,559	6,716,907	-3.85%	(258,348)
Net Toll Revenue	5,761,048.61	6,424,181.90	-10.01%	(663,133.29)	Passenger	4,341,565	4,563,992	-4.87%	(222,427)
Volume Discount	(142,420.63)	(152,200.93)	-6.43%	9,779.90	Commercial	536,950	638,587	-15.92%	(101,637)
Commuter Revenue	78,283.70	77,158.10	1.46%	1,125.60	Commuter	679,541	735,812	-7.62%	(56,271)
Net Fare Revenue	5,716,911.68	6,349,139.17	-9.96%	(632,227.49)	Non Revenue	24,325	25,524	-4.70%	(1,199)
<b>December</b>					Total Transactions	5,582,381	5,963,715	-6.39%	(381,334)
Net Toll Revenue	5,571,741.31	5,779,192.18	-3.59%	(207,450.87)	Passenger	4,111,826	4,072,648	0.96%	39,178
Volume Discount	(158,545.99)	(167,902.94)	-5.57%	9,356.55	Commercial	558,090	575,756	-3.07%	(17,666)
Commuter Revenue	20,615.35	15,309.25	34.66%	5,306.10	Commuter	741,772	693,791	6.92%	47,981
Net Fare Revenue	5,433,810.67	5,626,598.49	-3.43%	(192,787.82)	Non Revenue	42,076	44,227	-4.86%	(2,151)
<b>4TH QUARTER</b>					Total Transactions	5,453,764	5,386,422	1.25%	67,342
Net Toll Revenue	18,166,646.24	19,419,292.90	-6.45%	(1,252,646.66)	Passenger	13,430,265	13,790,392	-2.61%	(360,127)
Volume Discount	(463,097.54)	(502,319.48)	-7.81%	39,221.94	Commercial	1,755,646	1,942,270	-9.61%	(186,624)
Commuter Revenue	996,313.79	1,009,757.91	-1.13%	(13,444.12)	Commuter	2,216,705	2,236,124	-0.96%	(21,419)
Net Fare Revenue	18,701,862.49	19,926,730.33	-6.15%	(1,224,867.84)	Non Revenue	92,086	96,258	-4.33%	(4,172)
<b>YTD 12/31</b>					Total Transactions	17,494,704	18,067,044	-3.17%	(572,340)
Net Toll Revenue	79,255,858.05	82,297,953.42	-3.70%	(3,042,095.37)	Passenger	57,592,187	59,343,256	-2.95%	(1,751,069)
Volume Discount	(1,884,692.94)	(1,866,872.79)	-0.12%	2,179.85	Commercial	7,577,451	7,948,487	-4.67%	(371,036)
Commuter Revenue	4,085,187.53	4,100,798.18	-0.38%	(15,610.65)	Commuter	8,942,387	8,924,548	0.20%	17,839
Net Fare Revenue	81,476,352.64	84,531,878.81	-3.61%	(3,055,526.17)	Non Revenue	353,279	360,289	-1.95%	(7,010)
					Total Transactions	74,465,304	76,576,580	-2.76%	(2,111,276)

# Maine Turnpike Authority

## 2008 Financial Statements

### A note on the financial reporting

Since its inception, the Maine Turnpike Authority has prepared and presented its financial statement on a cash/modified accrual basis. This approach was consistent with toll industry standards while meeting all requirements of the financial markets and the Authority’s Bond Resolution.

To provide improved financial transparency, easier comparison to other entities, and to ensure compliance with the spirit of the federal Sarbanes-Oxley Act, the Authority initiated, in 2005, a significant accounting system upgrade project to convert the format of the financial reports to governmental Generally Accepted Accounting Principles (GAAP). On January 1, 2008, the governmental GAAP conversion project was completed under budget and three years ahead of schedule.

Thus, the audited financial statements that follow are reported without qualification by the independent Certified Public Accounting firm Runyon Kersteen Ouellette in accordance with GAAP.

*Neil R. Libby, Chief Financial Officer*

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## Independent Auditor's Report

To the Governing Board of the  
Maine Turnpike Authority:

We have audited the accompanying financial statements of the Maine Turnpike Authority, as of and for the year ended December 31, 2008. These financial statements are the responsibility of the Maine Turnpike Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maine Turnpike Authority as of December 31, 2008, and the changes in its financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2009 on our consideration of the Maine Turnpike Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 18-22, the Schedule of Funding Progress for the Retiree Healthcare Plan on page 39 and the Trend Data on Infrastructure Condition on page 39 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Maine Turnpike Authority. The Calculation of the Composite Debt Service Ratio, as Defined by the Bond Resolutions and Related Documents is supplementary information presented for purposes of additional analysis and is not a required part of the basic financial statements. The Calculation of the Composite Debt Service Ratio, as Defined by the Bond Resolutions and Related Documents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A large, handwritten signature in black ink that reads "Runyon Kersteen Ouellette".

March 30, 2009  
South Portland, Maine

# 18 **Maine Turnpike Authority**

## **Management's Discussion and Analysis**

December 31, 2008

The management of the Maine Turnpike Authority (the Authority) offers this narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2008, which should be read in conjunction with the Authority's basic financial statements.

On January 1, 2008, the Authority converted to a full governmental GAAP basis of accounting. Prior to GAAP, the Authority based its financial statements on provisions outlined in its General Bond Resolution and subsequent supplemental resolutions. Certain assets, liabilities, revenues and expenses were not included in those financial statements. As a result, the Authority will not include comparative financial statements in this financial report.

### **Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements are presented in a manner similar to a private-sector business and have been prepared according to accounting principles generally accepted (GAAP) in the United States of America. All of the current year's revenues are recorded as they are earned and expenses are recorded as they are incurred, regardless of when cash is received or disbursed.

### **Basic Financial Statements**

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets serve as a relative indicator of the change in financial position of the Authority.

The statement of revenues, expenses, and changes in net assets shows the result of the Authority's total operations during the fiscal year and reflects both operating and non-operating activities. Changes in net assets reflect the current fiscal period's operating impact upon the overall financial position of the Authority.

The statement of cash flows provides a detailed analysis of all sources and uses of cash. The direct method of cash flows is presented, ending with a reconciliation of operating income to net cash provided by operating activities. The statement of cash flows is divided into the following activities: operating, capital financing, and investing.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to fully understand that data provided in the basic financial statements.

### Other Information

In addition to the basic financial statements and notes, this report also presents certain supplementary information concerning the Authority's debt service ratio, as defined by the bond resolution.

### Financial Analysis

#### Maine Turnpike Authority's Net Assets

	<u>12/31/2008</u>
<b>Assets</b>	
Current Assets	\$ 19,314,193
Long-term Investments	5,104,525
Capital Assets, Net of Accumulated Depreciation	426,400,049
Non-current Assets	31,686,473
Other Assets	27,740,121
<b>Total Assets</b>	<u>\$ 510,245,361</u>
<b>Liabilities and Net Assets</b>	
Current Liabilities	42,169,800
Bonds Payable (net of current portion)	371,785,353
Other Non-current Liabilities	1,572,084
<b>Total Liabilities</b>	<u>\$ 415,527,237</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	81,974,311
Restricted	12,571,306
Unrestricted	172,507
<b>Total Net Assets</b>	<u>\$ 94,718,124</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 510,245,361</u>

As noted earlier, net assets serve as an indicator of the Authority's overall financial position. Restricted net assets are reserved for projects defined in the bond resolutions and applicable bond issue official statements. The Authority's net assets were \$94.7 million for the year ending December 31, 2008.

The largest portion of the Authority's net assets reflects its investment in capital assets (e.g., right-of-way, roads, bridges, toll equipment, etc.) less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide service and consequently, these assets are not available for liquidating liabilities or for other spending.

An additional portion of the Authority's net assets at December 31, 2008, represents resources that are subject to the external restrictions on how they can be used under the bond resolutions. The remaining unreserved net assets may be used to meet the Authority's capital and ongoing obligations.

#### The Maine Turnpike Authority's Change in Net Assets

	<u>12/31/2008</u>
<b>Revenues:</b>	
Net Fare Revenues	\$ 81,539,766
Concession Rental	3,397,291
Investment Income	1,940,081
Miscellaneous	1,177,552
<b>Total Revenues</b>	<b><u>\$ 88,054,690</u></b>
<b>Expenses:</b>	
Operations	24,870,104
Maintenance	27,505,707
Administrative	2,566,502
Depreciation	5,268,581
Preservation	10,299,213
Interest Expense	18,818,858
Other	585,419
<b>Total Expenses</b>	<b><u>\$ 89,914,384</u></b>
<b>Change in Net Assets</b>	<b>(1,859,694)</b>
<b>Net Assets, Beginning of Year</b>	<b>96,577,818</b>
<b>Net Assets, End of Year</b>	<b><u>\$ 94,718,124</u></b>

Net fare revenue was \$81.5 million for 2008. This represents approximately 95% of all operating revenues. Operations, Maintenance and Administrative expenses were \$55.0 million in 2008.

#### Capital Assets and Debt Administration

##### *Capital Assets*

The Authority's investment in capital assets as of December 31, 2008 amounted to \$473.9 million of gross asset value with accumulated depreciation of \$47.5 million, leaving a net book value of \$426.4 million. Capital assets include right-of-way, roads, bridges, buildings, equipment and vehicles. Please see Note 3 of the financial statements for a schedule of change in the Authority's capital assets.

Capital asset acquisitions are capitalized at cost. Acquisitions are funded through debt issuance and Authority revenues.

Major capital asset events of 2008 included the completion of the West Gardiner Service Plaza and the Route 202 and Mayall Road bridges. Construction of the Authority's new headquarters in Portland and the disaster recovery site in New Gloucester were well in progress in 2008. These projects are scheduled to be completed in the second quarter of 2009.

#### *Modified Approach for Infrastructure Assets*

The Maine Turnpike Authority has elected to use the modified approach to infrastructure reporting under GASB 34. This means that, in lieu of reporting depreciation on infrastructure, the Authority reports the costs associated with maintaining the existing asset in good condition as preservation expense. Infrastructure assets include: roads, bridges, interchanges, tunnels, right of way, drainage, guard rails, and lighting systems associated with the road. Pursuant to its bond covenants, the Authority maintains a reserve maintenance fund for these preservation expenses. For fiscal 2008, \$10.3 million was spent for preservation compared to a budgeted cost of \$14.8 million.

#### *Long-term Debt*

The Authority has outstanding bonds payable of \$349.0 million and \$19.5 for revenue and special obligation bonds, respectively (both net of unamortized bond discounts and premiums and deferred loss on refunding). In May 2008, the Authority issued revenue bonds of \$45.9 million to current refund \$48.0 million and \$19.5 million of special obligation bonds to advance refund \$20.5 million of special obligation bonds. The refunding of these bonds resulted in a net present value savings of approximately \$3.7 million. Please see Note 4 of the financial statements for the annual principal payment requirements on revenue and special obligation bonds as of December 31, 2008.

The Authority has a cap, set by the Legislature, on the amount of revenue bonds that can be outstanding at any given time. In 2007 this cap was increased to \$486.0 million. As of December 31, 2008, outstanding revenue bonds were \$349.0, leaving \$137.0 million available under the cap.

The Authority's current bond ratings are as follows:

Fitch	AA-
Moody's	Aa3
Standard & Poor's	A+

#### *Debt Service Reserve Fund*

The general bond resolution requires the Authority to fund the Debt Service Reserve Requirement with cash and investments or with a surety policy or letter of credit. In order to satisfy this requirement, the Authority acquired surety policies issued by Financial Guaranty Insurance Company (FGIC), Financial Security Assurance, Inc (FSA), MBIA Insurance Company and AMBAC Assurance Corporation. The surety policies cover various series and terminate on various dates in the future. Please see Note 6 of the financial statements for a schedule summarizing the surety policies purchased.

Each of the providers of the Debt Service Reserve Fund surety policies was rated Aaa by Moody's and AAA by Standard & Poor's (S&P) at the time of issuance of its respective policy. However, each of MBIA, FGIC and Ambac have been downgraded significantly as a result of their exposure to the sub-prime mortgage risk and do not maintain ratings by Moody's and S&P at least equal to the ratings on the outstanding revenue bonds. Accordingly, each of the policies from MBIA, FGIC and Ambac, while still in effect, no longer qualify under the general bond resolution to meet the Debt Service Reserve Fund requirement.

With the issuance of the Series 2009 revenue bonds, the Debt Service Reserve requirement will be \$16.5 million. Of this amount, \$4.1 million will be satisfied by the surety policies issued by FSA. In response to the downgrades of MBIA, FGIC and Ambac, the Authority deposited \$5.3 million into the Debt Service Reserve Fund in December 2008. The balance of the debt service reserve fund requirement will be funded by a portion of the Series 2009 proceeds and if needed, by Revenues deposited into the Debt Service Reserve Fund by the end of December 2009.

#### **Events That Will Impact Financial Position**

In December 2008, the Authority's board unanimously voted to increase tolls effective February 1, 2009. The toll adjustment is projected to raise an additional \$20.1 million annually and represents approximately a 25% increase. Prior to this increase, the Authority last adjusted tolls February 1, 2005.

On January 29, 2009, the Authority's board unanimously approved the issuance of \$50 million revenue bonds to pay for the portion of costs related to turnpike projects. Bond proceeds were received by the Authority on February 11, 2009.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, Maine Turnpike Authority, 430 Riverside Street, Portland, ME 04103; or email your questions to [info@maineturnpike.com](mailto:info@maineturnpike.com).

# Maine Turnpike Authority

## Balance Sheet

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December 31, 2008

### ASSETS

#### Current Assets:

Cash and Equivalents	\$	3,323,896
Restricted Cash and Equivalents to Meet		
Current Restricted Liabilities		11,309,110
Accounts Receivable and Accrued Interest Receivable		2,740,275
Inventory		1,168,715
Other Current Assets		772,197
<b>Total Current Assets</b>		<b>19,314,193</b>

#### Non-Current Assets:

Restricted Assets		
Cash and Equivalents		30,378,142
Investments		5,104,525
Accounts Receivable and Accrued Interest Receivable		1,308,331
<b>Total Restricted Assets</b>		<b>36,790,998</b>
Bond Issuance Cost - Net		8,260,121
Other Non-Current Assets		19,480,000

#### Capital Assets not Being Depreciated:

Property and Equipment		356,164,964
Construction in Progress		15,865,083

#### Capital Assets Net of Accumulated Depreciation:

Property and Equipment		54,370,002
<b>Total Capital Assets - Net of Accumulated Depreciation</b>		<b>426,400,049</b>
<b>Total Non-Current Assets</b>		<b>490,931,168</b>

#### Total Assets

**\$ 510,245,361**

### LIABILITIES AND NET ASSETS

#### Current Liabilities Payable from Unrestricted Assets:

Accounts, Contracts and Retainage Payable	\$	2,924,925
Accrued Vacation and Sick Leave Payable		2,722,890
Unearned Toll Revenue		4,328,537
<b>Total Current Liabilities Payable from Unrestricted Assets</b>		<b>9,976,352</b>

#### Current Liabilities Payable from Restricted Assets:

Accounts, Contracts and Retainage Payable		9,385,599
Accrued Vacation and Sick Leave Payable		217,588
Bond Interest Payable		12,494,306
Current Portion of Revenue Bonds & Special Obligation Bonds Payable		9,805,000
Other Current Liabilities		290,955
<b>Total Current Liabilities Payable from Restricted Assets</b>		<b>32,193,448</b>

#### Total Current Liabilities

**42,169,800**

#### Non-Current Liabilities:

Long-term Revenue Bonds & Special Obligation Bonds Payable		371,785,353
Other Non Current Liabilities		1,572,084
<b>Total Non-Current Liabilities</b>		<b>373,357,437</b>

#### Total Liabilities

**\$ 415,527,237**

#### Net Assets:

Invested in Capital Assets - Net of Related Debt		81,974,311
Restricted		12,571,306
Unrestricted		172,507
<b>Total Net Assets</b>	<b>\$</b>	<b>94,718,124</b>

#### Total Liabilities and Net Assets

**\$ 510,245,361**

See accompanying notes to financial statements.

## 24 **Maine Turnpike Authority**

### **Statement of Revenues, Expenses and Changes in Net Assets**

Year Ended December 31, 2008

#### **REVENUES**

##### **Operating Revenue:**

Net Fare Revenue	\$ 81,539,766
Concession Rentals	3,397,291
Miscellaneous	1,177,552

##### **Total Operating Revenues**

**86,114,609**

##### **Interest Income**

Revenue Fund	25,155
Reserve Maintenance Fund	28,749
Improvement Account	115,417
Interchange Account	141
MDOT Account	13,880

##### **Total Interest Income**

**183,342**

##### **Total Revenues**

**\$ 86,297,951**

#### **EXPENSES**

##### **Operating Expenses:**

Operations	24,870,104
Maintenance	27,505,707
Administration	2,566,502
Depreciation	5,268,581
Preservation	10,299,213
Other Expenses	24,001

##### **Total Operating Expenses**

**\$ 70,534,108**

##### **Operating Income**

**\$ 15,763,843**

##### **Non-operating Revenue (Expenses):**

##### **Investment Income:**

Capital Fund	443,980
Debt Service Fund Interest Accounts	84,333
Debt Service Fund Principal Accounts	98,219
Debt Service Reserve Fund Interest Account	182
Refunding Escrow Interest Account	1,130,025
Loss on Sale of Capital Assets	(31,571)
Interest Expense	(18,818,858)
Bond Issuance Cost Amortization	(378,403)
Bond Premium/Discount Amortization	1,231,587
Deferred Loss on Refunding Amortization	(328,031)
MDOT Prepaid Transfer Amortization	(1,055,000)

##### **Total Non-Operating Expenses**

**\$ (17,623,537)**

##### **Change in Net Assets**

**(1,859,694)**

##### **Net Assets, beginning of year**

**96,577,818**

##### **Net Assets, end of year**

**\$ 94,718,124**

*See accompanying notes to financial statements.*

# Maine Turnpike Authority

## Statement of Cash Flows

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Year Ended December 31, 2008

<b>Operating Activities:</b>	
Cash Received from Tolls/Customers	\$ 106,711,357
Cash Payments to Suppliers	(59,239,589)
Cash Payments to Employees	(22,928,674)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 24,543,094</b>
<b>Capital and Related Financing Activities:</b>	
Acquisition and Construction of Capital Assets	(26,607,799)
Proceeds from Issuance of Revenue Refunding Bonds	48,406,597
Proceeds from Issuance of Special Oblig. Refunding Bonds	19,242,293
Payments for Bond Expenses	(641,679)
Call Premium Paid on Redemption of Bonds	(670,400)
Interest Paid on Revenue Bonds	(17,738,997)
Payment of Principal on Revenue Bonds	(8,360,000)
Interest Paid on Subordinated Debt Bonds	(1,001,588)
Payment of Principal on Special Obligation Bonds	(1,465,000)
Payment of Principal on Redemption of Refunded Bonds	(47,970,000)
Payment of Principal on Redemption of Spec. Oblig. Refunded Bonds	(19,070,000)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>\$ (55,876,573)</b>
<b>Investing Activities:</b>	
Purchase of Investments	(9,932,248)
Proceeds from Sales and Maturities of Investments	10,031,157
Interest Received from Investments	4,692,226
Interest Received	1,079,252
<b>Net Cash Provided by Investing Activities</b>	<b>\$ 5,870,387</b>
Net Decrease in Cash and Equivalents	(25,463,092)
Cash and Equivalents at Beginning of Year	70,474,240
<b>Cash and Equivalents at End of Year</b>	<b>\$ 45,011,148</b>
Cash and Equivalents - Unrestricted	3,323,896
Restricted Cash and Equivalents - Current	11,309,110
Restricted Cash and Equivalents - Non-Current	30,378,142
	<b>\$ 45,011,148</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
<b>Income from Operations</b>	<b>\$ 15,763,843</b>
Adjustments to Reconcile Operating Income to Net Cash provided by Operating Activities:	
Depreciation	5,268,581
Interest Income included in Operating Revenue	(183,342)
Other	24,001
<b>Changes in Assets and Liabilities:</b>	
Accounts Receivable	501,260
Prepaid Accounts	67,806
Inventory	(1,168)
Accounts, Contracts and Retainage Payable	3,121,069
Unearned Concession Rentals	(133,333)
Unearned Toll Revenue	381,934
Accrued Worker's Comp Liability Payable	15,481
Accrued Vacation and Sick Leave Payable	61,621
Accrued Salaries & Payroll Taxes	(344,659)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 24,543,094</b>

See accompanying notes to financial statements.

## 26 **Maine Turnpike Authority** **Notes to Financial Statements**

December 31, 2008

### **Note 1 – Summary of Organization and Significant Accounting Policies and Procedures**

**Reporting Entity** – The Maine Turnpike Authority (the Authority) is a body corporate and politic created by an act of the Legislature of the State of Maine, Chapter 69 of the Private and Special Laws of 1941 as amended, authorized and empowered to construct, maintain and operate a turnpike at such a location as shall be approved by the State Highway Commission and to issue turnpike revenue bonds of the Authority, payable solely from revenues of the Authority. Under the provisions of the Act, turnpike revenue bonds and interest thereon shall not be deemed debt or liability or a pledge of the faith and credit of the State of Maine.

During 1982, the Legislature of the State of Maine, Chapter 595 of the Public Laws of the State of Maine 1982, authorized an act to amend the Maine Turnpike Authority Statutes. This act states that the Maine Turnpike Authority shall continue in existence until such a time as the Legislature shall provide for termination and all outstanding indebtedness of the Authority shall be repaid or an amount sufficient to repay that indebtedness shall be set aside in trust.

For financial reporting purposes, the Authority is a stand-alone entity; there are no component units included in the accompanying financial statements and the Authority is not considered a component unit of another entity.

**Basis of Accounting** – The Authority prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. In accordance with Government Accounting Standards Board (GASB) Statement No. 20, the Authority follows the pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 except where those pronouncements conflict with GASB pronouncements. The Authority has the option but has elected not to follow subsequent private-sector guidance. Proprietary funds distinguish operating revenues and expenses from non-operating activity. Operating revenues arise from providing goods or services to outside parties for a fee. The intent of the governing body is that the operating costs, including administration and depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses that are not derived directly from operations are reported as non-operating revenues and expenses.

**Operating Revenues and Expenses** – The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its System.

**Interest Income on Operating Accounts** – Interest income generated from on-going operations is included in operating revenue, in accordance with the requirements outlined in GASB 34.

**Cash and Equivalents** – For purposes of the statements of cash flow, demand deposit accounts with commercial banks, and cash invested in commercial money market funds are considered cash equivalents.

**Investments** – Investments are carried at fair value. Accrued interest paid upon the purchase of investments is recognized as interest income in the period it is earned.

**Note 1 – Summary of Organization and Significant Accounting Policies and Procedures (continued)**

**Inventory** – Inventory consists of both EZ Pass transponders and salt. The EZ Pass transponders will be sold to customers and is valued using the FIFO method. Salt, to be used in operations, is carried at the lower of cost or market and is valued using a weighted average method.

**Restricted Assets** – Restricted assets of the Authority represent bond proceeds designated for construction, and other monies required to be restricted for debt service, operations, maintenance, renewal and replacement.

**Capital Assets** – All capital assets are recorded on the balance sheet at historical cost. Capital assets are included in one of the following categories: Infrastructure; Land and Land Improvements; Buildings; Vehicles; Toll System; Computer and Other Equipment; Intangible Assets; and Construction in Progress.

Costs to acquire additional capital assets, and to replace existing assets or otherwise prolong their useful lives, are capitalized for toll equipment, buildings, toll facilities, other related costs and furniture and equipment. The Authority has elected to use the modified approach to infrastructure reporting under GASB 34. This means that, in lieu of reporting depreciation on infrastructure, the Authority reports as preservation expense the costs associated with maintaining the existing road in good condition. Infrastructure assets include roads, bridges, interchanges, tunnels, right of way, drainage, guardrails, and lighting systems associated with the road.

Depreciation of toll equipment, buildings, toll facilities, other related costs, signs, software and furniture and equipment is computed using the straight-line method, using the full-month convention, over the estimated useful lives of the assets as follows:

Building	30 – 50 years
Building Improvements	15 – 20 years
Land Improvements (exhaustible)	15 years
Toll Equipment	5 – 10 years
Furniture and Fixtures	5 – 15 years
Software	3 – 10 years
Computers, Printers and IT Equipment	3 – 5 years
Other Equipment (incl. Vehicles)	5 – 20 years

Under the modified approach, infrastructure assets are considered to be “indefinite lived” assets; that is, the assets themselves will last indefinitely and are, therefore, not depreciated. Costs related to maintenance, renewal and replacement for these assets are not capitalized, but instead are considered to be period costs and are included in preservation expense.

Construction in Progress represents costs incurred by the Authority for in-process activities designed to expand, replace, or extend the lives of existing property and equipment.

**Retainage Payable** – Retainage payable represents amounts billed to the Authority by contractors for which payment is not due pursuant to retained percentage provisions in construction contracts until substantial completion of performance by contractor and acceptance by the Authority.

**Note 1 – Summary of Organization and Significant Accounting Policies and Procedures (continued)**

**Prepaid Expenses** - Expenses that benefit more than one reporting period are charged to Prepaid Expenses and expensed over its service period. Examples include insurance premiums, software site licenses and service contracts.

**Accrued Vacation and Sick Leave Payable** – Accrued vacation and sick leave payable includes accumulated vacation pay and vested sick pay.

**Accrued Salaries Payable** – Accrued salaries payable includes salary and wage expense incurred at the end of the period but not paid until the following period.

**Unearned Commuter Revenue** – The Authority offers the Commuter Plan to patrons who travel regularly between the same two exits. Commuters pay a set fee, in advance, that covers a three month period. Revenue is earned over this three month period on a prorated basis. Commuter quarters start in February, May, August and November.

**Bond Premium, Discount and Issuance Costs** – Bond premiums and discounts associated with the issuance of bonds are amortized using the effective interest rate method over the life of the bonds. Bond issuance costs are amortized using the straight-line method over the life of the bonds.

**Deferred Amount on Refunding Revenue Bonds** – The difference between the reacquisition price and the net carrying amount of refunded bonds is amortized on a straight-line basis over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

**Note 2 – Deposits and Investments****Deposits**

*Custodial Credit Risk-Authority Deposits:* For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2008, the Authority reported deposits of \$2,096,972 with a bank balance of \$2,986,787. The entire balance of \$2,986,787 was covered by the F.D.I.C. (\$764,678) or by additional insurance purchased on behalf of the Authority by the respective banking institutions (\$2,222,109).

**Investments**

At December 31, 2008, the Authority had the following investments and maturities:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>More Than 5 Years</u>
U.S. Government Securities	\$ 5,104,525	\$ 19,992	\$ 5,084,533	0
Federated Treasury Obligation (1)	37,885,798		Not Applicable	
Money Market Funds (1)	5,028,378		Not Applicable	
<b>Total Investments</b>	<b>\$ 48,018,701</b>	<b>\$ 19,992</b>	<b>\$ 5,084,533</b>	<b>0</b>

(1) Mutual funds and money market funds are not considered securities that exist in physical or book entry form and therefore are exempt from the custodial credit risk disclosure noted above.

Deposits and investments are as follows:

Deposits	\$ 2,096,972
Investment	48,018,701
<b>Total Deposits</b>	<b>\$ 50,115,673</b>

Deposits and investments have been reported as follows in the financial statements:

Cash and Equivalents	\$ 3,323,896
Current Restricted Cash and Equivalents	11,309,110
Noncurrent Restricted Cash and Equivalents	30,378,142
Noncurrent Investments	5,104,525
<b>Total Investments</b>	<b>\$ 50,115,673</b>

**Note 2 – Deposits and Investments (continued)**

*Interest Rate Risk:* The Authority's policy for investment rate risk is as follows: Portfolio maturities will provide for stability of income and reasonable liquidity; liquidity will be assured through practices ensuring that the next disbursement date is covered through maturing to be staggered to avoid undue concentration in a specific maturity sector; maturities selected will provide investments or marketable securities which can be sold to raise cash in day's notice without loss of principal; and, risks of market price volatility will be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest on investment income received from the balance of the portfolio.

*Credit Risk:* Maine statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies and repurchase agreements. The Authority does not have a formal policy related to credit rate risk. The Authority's investments in U.S. Government Securities of \$5,104,525 were rated AAA by Standard and Poor's.

*Custodial credit risk: investments* – For investments, this is the risk that in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Authority is authorized to invest in: Obligations of the U.S. government and its agencies provided they are full faith and credit obligations fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations repurchase agreements collateralized by U.S. Treasury or Agency securities; and money market mutual funds whose portfolios consist of government securities.

The Authority's investment policy is to attain a market rate of return considered reasonable under generally accepted market principles throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio thus ensuring prudent use of public funds and preservation of the public's trust. The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. All security transactions, including collateral for repurchase agreements, entered into by the MTA shall be conducted on a "delivery vs. payment" basis. Securities will be held by a third party custodian, or Trust Department designated by the Executive Director, CFO, or Director of Finance and evidenced by safekeeping receipts. Of the Authority's \$5,028,378 investment in money market and mutual funds, 100% was collateralized by underlying securities held by the trust department of the related bank, which were in the Authority's name.

**Note 3 – Capital Assets**

A Summary of changes to capital assets for the year ended December 31, 2008 is as follows:

	Balance 12/31/2007	Additions	Transfers	Disposals	Balance 12/31/2008
<b>Capitalized Assets Not Being Depreciated (cost)</b>					
Land	\$ 22,607,358	\$ 1,222,965	\$ 6,171,281	\$ 0	\$ 30,001,604
Infrastructure	320,816,100	0	5,373,580	26,319	326,163,361
Construction in Progress	8,122,411	29,015,428	(21,272,757)	0	15,865,083
<b>Total Capital Assets Not Being Depreciated</b>	<b>351,545,869</b>	<b>30,238,393</b>	<b>(9,727,897)</b>	<b>26,319</b>	<b>372,030,048</b>
<b>Capitalized Assets Being Depreciated (cost)</b>					
Land Improvements (exhaustible)	7,552,620	0	1,371,829	565,768	8,358,681
Buildings	45,147,158	0	8,248,199	557,168	52,838,189
Improvements	470,437	0	0	0	470,437
Machinery and Equipment	40,661,255	1,214,859	107,869	1,768,571	40,215,412
<b>Total Capital Assets Being Depreciated</b>	<b>93,831,471</b>	<b>1,214,859</b>	<b>9,727,897</b>	<b>2,891,507</b>	<b>101,882,719</b>
<b>Less Accumulated Depreciation for:</b>					
Land Improvements (exhaustible)	(5,374,098)	(345,843)	0	(565,768)	(5,154,174)
Buildings	(10,499,097)	(1,500,357)	0	(557,168)	(11,442,286)
Improvements	(359,362)	(78,406)	0	0	(437,768)
Machinery and Equipment	(28,813,867)	(3,343,975)	0	(1,679,351)	(30,478,490)
<b>Total Accumulated Depreciation</b>	<b>(45,046,424)</b>	<b>(5,268,581)</b>	<b>0</b>	<b>(2,802,287)</b>	<b>(47,512,718)</b>
<b>Total Capital Assets Being Depreciated, net</b>	<b>48,785,047</b>	<b>(4,053,722)</b>	<b>9,727,897</b>	<b>89,220</b>	<b>54,370,001</b>
<b>Total Capital Assets</b>	<b>\$ 400,330,916</b>	<b>\$ 26,184,672</b>	<b>\$ 0</b>	<b>\$ 115,539</b>	<b>\$ 426,400,049</b>

**Note 4 – Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority's net assets invested in capital assets, net of related debt was calculated as follows at December 31, 2008:

Capital Assets	\$ 473,912,767
Unspent Bond Proceeds	4,544,262
Accumulated Depreciation	(47,512,718)
Bonds Payable	(348,970,000)
<b>Total Invested In Capital Assets Net of Related Debt</b>	<b>\$ 81,974,311</b>

**Note 5 – Long-term Debt****Revenue Bonds Payable**

The Authority issues revenue bonds from time to time for the purpose of financing capital improvements and new projects. As of December 31, 2008, the Authority had the following outstanding bonds:

- \$73,130,000 of Series 1994 Revenue Bonds, issued in July 1994, to finance the electronic toll conversion and major bridge deck repairs.
- \$50,000,000 of Series 1997 Revenue Bonds, issued in February 1997, to finance interchange construction and reconstruction and to provide additional monies for the payment of a portion of the Debt Service Reserve Fund requirements.
- \$126,000,000 of Series 2000 Revenue Bonds, issued in March 2000, to finance modernization, widening, and interchange construction and reconstruction.
- \$51,000,000 of Series 2003 Revenue Bonds, issued in May 2003, to retire the 2002 Commercial Paper Subordinated Notes and to finance various turnpike projects.
- \$115,050,000 of Series 2004 Revenue Bonds, issued in October 2004, to pay a portion of the costs of various turnpike projects and to advance refund a portion of the principal amount of the Series 1994, 1997 and 2000 bonds.
- \$76,715,000 of Series 2005 Revenue Bonds, issued in April 2005, to advance refund a portion of the principal amount of the Series 2000 bonds.
- \$50,000,000 of Series 2007 Revenue Bonds, issued in September 2007, to pay a portion of the costs of various turnpike projects.
- \$45,885,000 of Series 2008 Refunding Revenue Bonds, issued in May 2008, to advance refund principal amounts of the Series 1998 Refunding Bonds, which was called in July 2008.

Interest on all bonds is payable semi-annually on January 1st and July 1st of each year. The bonds will mature on July 1st in the years and principal amounts noted below:

<b>Issue</b>	<b>Amount Issued</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Balance 12/31/2008</b>
Series 1994	\$ 73,130,000	7/1/1995 - 2009	3.75-7.50 %	\$ 3,745,000
Series 1997	50,000,000	7/1/1998 - 2010	4.50-6.00 %	3,920,000
Series 2000	126,000,000	7/1/2007 - 2012	5.00-5.30 %	10,045,000
Series 2003	51,000,000	7/1/2011 - 2033	3.50-5.25 %	51,000,000
Series 2004	115,050,000	7/1/2005 - 2030	3.00-5.25 %	107,985,000
Series 2005	76,715,000	7/1/2006 - 2030	3.00-5.125 %	76,390,000
Series 2007	50,000,000	7/1/2013 - 2037	3.75-5.25 %	50,000,000
Series 2008	45,885,000	7/1/2010 - 2018	3.00-5.00 %	45,885,000
<b>Total Revenue Bonds Payable</b>				<b>\$ 348,970,000</b>

**Note 5 – Long-term Debt (continued)**

Requirements for the repayment of the outstanding revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2009	\$ 8,855,000	\$ 17,682,444	\$ 26,537,444
2010	7,060,000	16,954,560	24,014,560
2011	11,570,000	16,631,688	28,201,688
2012	11,955,000	16,161,200	28,116,200
2013	13,575,000	15,595,771	29,170,771
2014-2018	78,815,000	67,384,519	146,199,519
2019-2023	63,915,000	49,108,446	113,023,446
2024-2028	82,925,000	31,063,494	113,988,494
2029-2033	57,500,000	10,175,275	67,675,275
2034-2037	12,800,000	1,722,788	14,522,788
<b>Totals</b>	<b>\$ 348,970,000</b>	<b>\$ 242,480,185</b>	<b>\$ 591,450,185</b>

A summary of changes in revenue bonds is as follows:

	<u>12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/08</u>
Series 1994	\$ 7,240,000	\$ 0	\$ (3,495,000)	\$ 3,745,000
Series 1997	5,740,000	0	(1,820,000)	3,920,000
Series 1998	47,970,000	0	(47,970,000)	0
Series 2000	12,830,000	0	(2,785,000)	10,045,000
Series 2003	51,000,000	0	0	51,000,000
Series 2004	108,135,000	0	(150,000)	107,985,000
Series 2005	76,500,000	0	(110,000)	76,390,000
Series 2007	50,000,000	0	0	50,000,000
Series 2008	0	45,885,000	0	45,885,000
<b>Totals</b>	<b>\$ 359,415,000</b>	<b>\$ 45,885,000</b>	<b>\$ (56,330,000)</b>	<b>\$ 348,970,000</b>

**Note 5 – Long-term Debt (continued)****Special Obligation Bonds Payable**

- \$19,480,000 of Series 2008 Special Obligation Refunding Bonds, issued in May 2008, to refund all of the Authority's outstanding Series 1998 Special Obligation Bonds.

<b>Issue</b>	<b>Amount Issued</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Balance 12/31/2008</b>
Series 2008	\$ 19,480,000	7/1/2009 - 2018	3.00-4.00 %	\$ 19,480,000
<b>Total Special Obligation Bonds Payable</b>				<b>\$ 19,480,000</b>

Requirements for the repayment of the outstanding special obligation bonds are as follows:

	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2009	\$ 950,000	\$ 762,399	\$ 1,712,399
2010	1,795,000	671,663	2,466,663
2011	1,845,000	617,813	2,462,813
2012	1,900,000	562,463	2,462,463
2013	1,985,000	478,400	2,463,400
2014-2018	11,005,000	1,304,913	12,309,913
<b>Totals</b>	<b>\$ 19,480,000</b>	<b>\$ 4,397,651</b>	<b>\$ 23,877,651</b>

A summary of changes in special obligation bonds is as follows:

	<b><u>12/31/07</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>12/31/08</u></b>
Series 1998	\$ 20,535,000	\$ 0	\$ 20,535,000	\$ 0
Series 2008	0	19,480,000	0	19,480,000
<b>Totals</b>	<b>\$ 20,535,000</b>	<b>\$ 19,480,000</b>	<b>\$ 20,535,000</b>	<b>\$ 19,480,000</b>

**Note 5 – Long-term Debt (continued)**

Revenue and Special Obligation long-term liability for the year ended December 31, 2008, was as follows:

	12/31/2007	Additions	Reductions	12/31/2008	Due within one year
Revenue Bonds	\$ 359,415,000	\$ 45,885,000	\$ (56,330,000)	\$ 348,970,000	\$ 8,855,000
Special Obligation Bonds	20,535,000	19,480,000	(20,535,000)	19,480,000	950,000
<b>Subtotal</b>	<b>379,950,000</b>	<b>65,365,000</b>	<b>(76,865,000)</b>	<b>368,450,000</b>	<b>9,805,000</b>
Adjustment for Unamortized Balances:					
Premium / Discounts	15,410,808	3,685,870	(1,343,148)	17,753,530	\$ 0
Deferred Loss on Refunding	(3,536,742)	(1,404,466)	328,031	(4,613,177)	\$ 0
<b>Total</b>	<b>\$ 391,824,066</b>	<b>\$ 67,646,404</b>	<b>\$ (77,880,117)</b>	<b>\$ 381,590,353</b>	<b>\$ 9,805,000</b>

**Note 6 – Debt Service Reserve Fund**

The general bond resolution requires the Authority to fund the Debt Service Reserve Requirement with cash and investments or with a surety policy or letter of credit. In order to satisfy this requirement, the Authority acquired surety policies issued by Financial Guaranty Insurance Company (FGIC), Financial Security Assurance, Inc (FSA), MBIA Insurance Company and AMBAC Assurance Corporation. The surety policies cover various series and terminate on various dates in the future. A summary of the surety policies purchased is as follows:

Debt Service Reserve Fund Surety Policy Provider	Series Availability	Termination Date	Maximum Amount
MBIA	1994 and 1997	July 1, 2018	\$ 5,263,254
FGIC	2000	July 1, 2012	4,871,788
Ambac	2003	July 1, 2033	1,893,884
FSA	2004	July 1, 2030	1,781,929
MBIA	All Turnpike Revenue Bonds Issued Prior to 2004	July 1, 2018	12,029,000
Ambac	All Turnpike Revenue Bonds	July 1, 2030	4,871,359
FSA	All Turnpike Revenue Bonds	July 1, 2018	2,308,902

Each of the providers of the Debt Service Reserve Fund surety policies was rated Aaa by Moody's and AAA by Standard & Poor's (S&P) at the time of issuance of its respective policy. However, each of MBIA, FGIC and Ambac have been downgraded significantly as a result of their exposure to the sub-prime mortgage risk and do not maintain ratings by Moody's and S&P at least equal to the ratings on the outstanding revenue bonds.

**Note 6 – Debt Service Reserve Fund (continued)**

Accordingly, each of the policies from MBIA, FGIC and Ambac, while still in effect, no longer qualify under the general bond resolution to meet the Debt Service Reserve Fund requirement.

With the issuance of the Series 2009 revenue bonds, the Debt Service Reserve requirement will be \$16.5 million. Of this amount, \$4.1 million will be satisfied by the surety policies issued by FSA. In response to the downgrades of MBIA, FGIC and Ambac, the Authority deposited \$5.3 million into the Debt Service Reserve Fund in December 2008. The balance of the debt service reserve fund requirement will be funded by a portion of the Series 2009 proceeds and if needed, by Revenues deposited into the Debt Service Reserve Fund by the end of December 2009.

**Note 7 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan**

**Plan Description** – The Authority participates in the Maine Public Employees Retirement System, a multiple-employer defined benefits pension plan, which covers substantially all employees. The MainePERS provides retirement, disability and death benefits to plan participants and beneficiaries. Employees are eligible for normal retirement upon attaining age sixty and early retirement after completing twenty-five or more years of service.

**Funding Policy** – Plan participants are required to contribute 6.5% of their annual compensation and the Authority is required to contribute at an actuarially determined rate. The current rate is 4% of employee earned compensation.

The Maine Turnpike Authority's contributions to MainePERS were approximately \$1,173,649, \$1,227,540 and \$1,114,370 for the years ended December 31, 2008, 2007 and 2006, respectively.

**Note 8 – Other Post Employment Benefits (OPEB)**

The Governmental Accounting Standards Board (GASB) recently promulgated its Statement 45 which addresses the reporting and disclosure requirements for Other Post Employment Benefits (OPEB). GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the MTA on January 1, 2008. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

**Plan Descriptions.** In addition to providing pension benefits, the Authority provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees receive 100% paid health benefit coverage, Anthem POS plan until age 65 or Medicare Advantage plan at the age of 65. The Authority paid approximately \$942,000 of insurance contributions for approximately 200 retirees for the year end December 31, 2008. Benefit provisions are established and amended through negotiations between the Authority and the respective unions.

In December 2008, the Authority entered into a contract with an external consultant to assist in the determination and valuation of the Authority's OPEB liability under GASB Statement Number 45. An OPEB liability actuarial valuation was

**Note 8 – Other Post Employment Benefits (continued)**

completed by the consultant in March 2009 to which the Authority is in the process of reviewing the various alternatives, including methodology, discount rates and other assumptions.

*Funding Policy and Annual OPEB Cost.* GASB Statement Number 45 does not mandate the prefunding of post employment benefit liabilities. The Authority currently plans to only partially fund (on a pay-as-you-go) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year, the amount contributed and changes in the OPEB plan for the year ending December 31, 2008:

Normal Cost	\$ 1,499,000
UAAL amortization	1,507,000
Annual Required Contribution/OPEB Cost	3,006,000
Contributions Made (Pay-As-You-Go)	(942,000)
Increase in Net OPEB Obligation	2,064,000
Net OPEB Obligation - Beginning of Year	0
Net OPEB Obligation - End of Year	<u>\$ 2,064,000</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year ending December 31, 2008 was as follows:

Annual Required Contribution (ARC)	\$ 3,006,000
Actual Contributions (Pay-As-You-Go)	942,000
Percentage Contributed	31.3%
Actuarial Accrued Liability	\$ 39,815,000
Plan Assets	0
Unfunded Actuarial Accrued Liability	39,815,000
Covered payroll	\$ 18,420,000
Unfunded actuarial accrued liability as a percentage of covered payroll	216.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Note 8 – Other Post Employment Benefits (continued)**

*Actuarial Methods and Assumptions.* Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/09
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Healthcare inflation rate	4.5% - 8.7%

**Note 9 – Commitments & Contingencies**

The Authority is a defendant in various lawsuits. Although the outcomes of the lawsuits are not presently determinable, it is the belief of the Authority’s legal counsel that any settlement or damages assessed would be covered by insurance, and therefore should not have a material adverse effect on the Authority’s financial condition.

As of December 31, 2008, the Authority committed to a contract for the construction of a new administration building on a parcel of land owned by the Authority for \$11,397,000.

**Trend Data on Infrastructure Condition**

The Authority has elected to use the modified approach to infrastructure reporting under GASB 34. The Authority's consulting engineers are required to make an inspection at least once a year of the Turnpike, and, on or before the first day of October of each year, to submit to the Authority a report setting forth (a) their findings whether the Turnpike has been maintained in good repair, working order and condition, (b) their advice and recommendations as to the proper maintenance, repair and operation of the Turnpike during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes, (c) their advice and recommendations as to the amounts and types of insurance to be carried, and (d) their recommendations as to the amount that should be deposited into the Reserve Maintenance Fund during the upcoming Fiscal Year.

The roadways are rated on a 10-point scale, with 10 meaning that every aspect of the roadway is in new and perfect condition. The Authority's system as a whole is given an overall rating, indicating the average condition of all roadways operated by the Authority. The assessment of condition is made by visual inspection designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Authority's policy is to maintain the roadway condition at rating of 8 (generally good condition) or better. The results of the 2008 inspection states that the Maine Turnpike has been maintained in generally good condition and presents a favorable appearance.

The budget to actual expenditures for Preservation for 2008 is as follows:

	<b>Budget</b>		<b>Actual</b>	
Preservation Expense	\$	14,795,421	\$	10,299,213

**Retiree Healthcare Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
12/31/08	\$0	\$39,815,000	\$39,815,000	0.00%	\$18,420,000	216.2%

## Calculation of the Composite Debt Service Ratio, as Defined by the Bond Resolutions and Related Documents (000's)

	<u>2008</u>
<b>Revenues:</b>	
Net Fare Revenue	\$ 81,540
Concession Rental	3,397
Investment Income <sup>1</sup>	366
Miscellaneous	1,178
<b>Total Revenues</b>	<u><b>\$ 86,481</b></u>
<b>Expenses:</b>	
Operations	24,870
Maintenance	10,357
Administrative	2,567
<b>Total Expenses</b>	<u><b>\$ 37,794</b></u>
<b>Net Operating Revenues</b>	<u><b>\$ 48,687</b></u>
Debt Service Payments <sup>2</sup>	23,590
Reserve Maintenance Fund Deposit	24,750
MDOT Account / Sub Debt Fund Deposit	2,467
<b>Other General Reserve Fund Deposits</b>	<u><b>\$ (2,120)</b></u>
<b>Debt Service Ratio of Net Revenues to Debt Service <sup>3</sup></b>	<u><b>2.06</b></u>

**Note:** Revenues and expenses are presented on this schedule on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Certain amounts included on the Statement of Revenues, Expenses, and Change in Net Assets are not part of the net revenues, as defined, and therefore excluded from this schedule.

<sup>1</sup> Capital fund and Rebate Fund earnings are not included in investment income, consistent with the Maine Turnpike Revenue Bond Resolution.

<sup>2</sup> Represents Debt Service Deposits, net of capitalized interest, on the outstanding Revenue Bonds only.

<sup>3</sup> Net Revenues divided by Debt Service.

## Maine Turnpike Authority Staff

### EXECUTIVE DIRECTOR

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### DEPUTY EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

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**Neil R. Libby**

## JOSEPH T. SAYWARD AWARD

*In 1997, on the occasion of its 50th Anniversary, the Maine Turnpike Authority established the Joseph T. Sayward Award to recognize and honor an employee for extraordinary commitment and service to the organization. It was Mr. Sayward's vision and determination that led to the creation of the Maine Turnpike Authority in 1941. As the first chairman of the Authority board of directors, Mr. Sayward established the tradition of excellence that continues to drive the organization today.*

Few employees, over the last 61 years, have done more to keep that tradition alive than the 2008 Sayward Award recipient: Neil R. Libby.

Neil began his career with the Authority in 1967, working as a toll collector during summer recesses from Boston University, where he earned his bachelor degree in business. After graduation, he accepted a full-time position with the Authority as an accountant. Neil's intelligence, leadership and dedication to the job earned him rapid advancement through the Authority's finance and accounting departments. In 1978, Neil was named the Maine Turnpike Authority's director of finance. Today, he serves as deputy executive director and chief financial officer.

As the Authority's top financial officer for the last three decades, Neil has provided the vision, discipline and critical thinking required to position the Maine Turnpike among the most respected, trusted and highest rated toll facilities in the United States.

Neil has made the hard decisions and delivered the tough advice, but he has always done so with a kindness, dignity and integrity that is uncommon in today's world.

Neil Libby's value at the Maine Turnpike Authority goes far beyond any of his job titles and all of the considerable responsibility associated with them. In fact, his most enduring contribution may be that he carried forward the tradition of treating the Maine Turnpike and all who work for it as family. He has inspired so many others to do the same. The Maine Turnpike Authority is honored to be associated with Neil R. Libby.



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