



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

TURNPIKE AUTHORITY

BEVERLY E. PERDUE
GOVERNOR

EUGENE A. CONTI, JR.
SECRETARY

July 30, 2010

To: Members of the Joint Legislative Transportation Oversight Committee

From: Transportation Secretary Gene Conti and Turnpike Authority Director David Joyner

Subject: 2010 Mid-Year Report

In accordance with General Statute 136-89.193 (c), we are pleased to present the following report on the Turnpike Authority's activities during the first half of 2010.

The Authority continues to make significant progress on six toll projects across North Carolina, each of which will improve mobility, reduce congestion and help ensure that our state's highway infrastructure meets the growing demands of our motorists.

As North Carolina continues to face economic hardship, toll revenues have taken on an increasingly important role in providing valuable funding for vital improvements across the state that cannot be paid for through traditional financing alone. These revenues not only help pay for the highways on which they are collected, but they also free up money for other much-needed projects that will benefit travelers throughout North Carolina.

In recognition of the growing need to utilize innovative financing options and a more diverse array of operational tools to optimize the performance of our transportation infrastructure, the N.C. Turnpike Authority was fully integrated into the N.C. Department of Transportation this past June. This transition began in 2009 at the direction of Gov. Bev Perdue to improve the efficiency of both agencies and provide better coordination of our closely related missions. House Bill 1734, "DOT Powers and Duties Changes," solidified this transition by clarifying that the Turnpike Authority is now a part of the Department of Transportation, which is critical to our future efforts to obtain bond financing.

It is our expectation that the integration of the Turnpike Authority into NCDOT will provide valuable knowledge and experience as we work to upgrade our transportation system. The Turnpike Authority is on the cutting edge of implementing both alternative financing tools, such as careful consideration of North Carolina's first public-private partnership for the Mid-Currituck Bridge in Currituck County, and in system operation technology, as demonstrated by the first all-electronic toll

collection contract for a start-up toll agency awarded in May for the Triangle Expressway in Wake and Durham counties.

The Turnpike Authority continues to conduct significant outreach efforts to educate North Carolinians on the value of toll roads and the many benefits they offer to our motorists and our communities. We are also taking steps to mitigate the effect of our current budget situation on these projects and ensure that they are completed in a timely and cost-effective manner.

Below is an update on each of the Authority's six projects:

Triangle Expressway

Final engineering, right-of-way acquisition and construction are currently underway for the Triangle Expressway, North Carolina's first modern toll road and the single largest transportation infrastructure project in the state's history. The Authority broke ground on the Expressway nearly a year ago and has made significant progress since that time. Current construction activities include land clearing operations, earthwork movement, bridge construction and utility relocation.

Once completed, the \$1.03 billion, 18.8-mile Expressway will run from the N.C. 55 Bypass near Holly Springs to Interstate 40 at N.C. 147 in Wake and Durham counties. Both the Triangle Parkway and Western Wake Freeway portions of the project are currently under construction. These two sections will connect with existing N.C. 540 between N.C. 55 and N.C. 54 to comprise the Expressway. The Triangle Parkway is scheduled to open to traffic in December 2011, and the Western Wake Freeway is set to be completed in late 2012.

In May, the Authority awarded a \$5.9 million contract for electronic toll collection on the Expressway to TransCore, a subsidiary of Roper Industries Inc. Under the contract, TransCore will install and implement a fully automated radio frequency identification (RFID) system to enable wireless toll collection that will later be used for other toll facilities across North Carolina. The system uses radio frequency to read information from a transponder attached to the inside of a vehicle's windshield. The contract also includes integration of the RFID system with other components of the Triangle Expressway's electronic toll collection system and maintenance of the RFID equipment.

The award of the electronic toll collection contract for the Expressway necessitated several changes to statutes enacted in 2008 regarding toll enforcement. These changes, encompassed in House Bill 1685 entitled "Turnpike Toll Enforcement Changes," will help the Authority ensure efficient operation and accounting, provide an equitable tolling experience for customers and secure financing for future toll projects.

Under electronic toll collection, drivers with transponders pay for their tolls in advance and the system automatically deducts the tolls each time they use the road. Motorists who do not have transponders will have a photograph of their license plate taken and will be sent a bill. Because electronic tolling is the most cost-effective form of toll collection, motorists who choose to purchase a transponder and set up an account will receive a reduced toll rate.

The Authority's Toll Operations section has been working with the operations contractor, URS, to establish the central customer service center for North Carolina where all customer service and video billing operations will be performed. URS signed and executed a lease in May for the center site at

200 Sorrell Grove Church Road in Morrisville. Motorists can purchase the transponders via phone, mail or the Web, or they can visit the customer service center scheduled to open July 1, 2011.

The Authority is actively pursuing agreements with other agencies to ensure interoperability between North Carolina's electronic toll collection system and the toll systems used by other states by the time the Triangle Expressway opens. Once these agreements are in place, North Carolina motorists will be able to use their transponders on other toll facilities throughout the nation. Along with these efforts, the Authority last month awarded a \$2 million contract to MarketSmart Advertising of Durham to oversee marketing and education efforts for the Triangle Expressway. The two-year contract includes marketing, advertising and public relations services.

Since January, the Authority has also been working to coordinate the Intelligent Transportation System (ITS) elements of the project, including a direct fiber-optic link between the new Customer Service Center and the project corridor. A Traffic Control Devices team was selected in mid-March, and the first project submittals regarding these ITS components are expected this month. The Authority is also working with the contractors overseeing the roadside system used to collect tolls, the new Customer Service Center and the video billing operations, to move forward with initial planning and design efforts.

The project is currently on schedule and on budget. The payment approval processes and reporting requirements are operating smoothly and have been reviewed by Ernst & Young, the Authority's consultant for procedures and controls.

Monroe Connector/Bypass

The Authority is continuing to move forward with the environmental study process for the Monroe Connector/Bypass, which will run 19.7 miles from U.S. 74 at I-485 in eastern Mecklenburg County to U.S. 74 near the Town of Marshville in Union County. The preliminary estimated project cost is \$802 million. It will be completed using the design-build method, which helps expedite project completion and can provide cost savings by using a single team to complete both design and construction.

In May, the Authority, in conjunction with the Federal Highway Administration (FHWA), issued the project's Final Environmental Impact Statement. The Final EIS confirms selection of the route's preferred alternative and addresses comments received on the Draft EIS. It was available for public comment through June 25. The FHWA is expected to issue its Record of Decision later this summer.

Detailed Study Alternative D was selected as the project's Preferred Alternative because it would result in the least direct impacts to natural resources in the project area, avoids Stallings Elementary School and minimizes impacts to residential areas. This alternative currently entails elevating about one mile of existing U.S. 74 with retaining walls, a design concept that would cut impacts to businesses along the existing route in half. The rest of the highway would be constructed on new location beginning at U.S. 74 between Stallings Road and Indian Trail-Fairview Road. The project would tie back into U.S. 74 west of Marshville. Based on comments received on the Draft EIS, design modifications were made in the vicinity of the Forest Park subdivision, Beverly Drive, Bonterra Village, the Unionville-Indian Trail Road interchange and the Austin Chaney Road interchange/McIntyre Road.

Given the project's unique design, the Authority has organized a committee of local business leaders, transportation officials and local elected officials to provide input on the appearance of the project. The Authority has also prepared the Monroe Aesthetics Design Guide outlining numerous aesthetics concepts for the proposed toll facility.

As the environmental planning process nears completion, the Authority is moving forward with securing a design-build team to complete the project. It was advertised on April 15, and Statements of Qualifications from seven interested design-build teams were received on May 13. In June, the Authority narrowed the list of teams under consideration to three finalists:

- A joint venture of Flatiron Constructors Inc. and Zachry Construction Corp., teamed with lead design firm AECOM Technical Services of North Carolina Inc.;
- A joint venture of Granite Construction Co. and Blythe Construction Inc., teamed with lead design firm STV/Ralph Whitehead Associates Inc.; and
- A joint venture of United Infrastructure Group Inc., Boggs Paving Inc. and Anderson Columbia Company Inc., teamed with lead design firm Rummel, Klepper & Kahl LLP.

The teams have the draft Request for Proposals (RFP), which details the contract's specifications, and are providing feedback for the Authority to use in developing its final RFP. The teams will then use the final RFP to create their technical proposals and calculate project bids. The Authority plans to open the bids and announce the selected team in October.

Once the bids are open, the Authority can move forward refining the plan of finance. The current plan of finance does not include a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, but does depend on appropriation bonds backed by the gap funds approved by the General Assembly, as well as revenue bonds and subordinated bonds backed by the projected toll revenue. An Investment Grade Traffic and Revenue Study is currently being prepared to certify the projected revenue on the roadway. This study will be completed in the next few months and will be used to determine the project's bond rating. Over the next four months, the Authority will open the bids, obtain bond ratings, finalize its financial plan, prepare the offering documents for the Authority's Board approval and price and sell the bonds. The Authority is scheduled to award the design-build contract in December and start construction soon thereafter. The Monroe Connector/Bypass is currently set to open to traffic in 2014.

Mid-Currituck Bridge

The Authority is progressing with the environmental study process for the Mid-Currituck Bridge in Currituck County, a seven-mile, two-lane toll project that would cross the Currituck Sound connecting the Currituck mainland at U.S. 158 near Aydlett with N.C. 12 on the Outer Banks south of Corolla. The preliminary cost estimate for the project is \$632 million, with final costs to be determined during design. Construction is currently scheduled to begin in 2011, with completion in late 2014.

Last year, officials signed a public-private Pre-Development Agreement (PDA) with the Currituck Development Group, LLC for the development, design and financial assessment of the Mid-Currituck Bridge—the first partnership of its kind undertaken for a major transportation project in North Carolina. The PDA is a highly cooperative and collaborative effort to unite the developer's innovation, private sector resources and financial expertise with the Turnpike Authority's governmental authority, planning capabilities and risk sharing capabilities to complete the project.

Through this partnership, potential capital cost savings of \$100 million have already been identified. As the project moves forward, the Authority is carefully considering both a public-private option and municipal financing. A Value for Money analysis is currently underway to determine which financing option is in the state's best interest.

In March, the Authority, in conjunction with the FHWA, published the Draft Environmental Impact Statement for the Mid-Currituck Bridge. This document identifies Alternative "MCB4" as the Recommended Alternative, which includes construction of a bridge across the Currituck Sound and minor improvements to existing N.C. 12 and U.S. 158. It includes two options for where the bridge would connect with N.C. 12: a northern alignment close to the Corolla Bay subdivision, known as "C1," and a southern alignment south of the TimBuck II Shopping Center, known as "C2."

Two possible locations are also identified for a future toll plaza and a crossing of Maple Swamp. Option A includes a bridge across Maple Swamp and a toll plaza located at a proposed interchange at U.S. 158. Option B entails placing a new road through Maple Swamp with a toll plaza closer to Currituck Sound.

During the month of May, the Turnpike Authority held three open houses and three public hearings in Dare and Currituck counties to give residents an opportunity to review and comment on the project. The public comment period for the Draft EIS and Recommended Alternative closed on June 7. The Authority received more than 600 comments, indicating a substantial level of interest in the project. These comments are now being evaluated and will be incorporated into the project's Final EIS, which is scheduled to be completed in September and will identify a Preferred Alternative for the project. Its Record of Decision is expected in December, formally concluding the environmental process.

The Authority is preparing an Investment Grade Traffic and Revenue Study. The study is expected to be complete in October and will aid in developing the project's plan of finance.

Garden Parkway

Over the past six months, the Authority has continued the planning and development process for the Garden Parkway, a new 22-mile, four-lane, controlled-access highway that would begin at I-485 near the Charlotte-Douglas International Airport at N.C. 160 in Mecklenburg County and continue west across the Catawba River into Gaston County, ending at I-85 west of Gastonia.

In November 2009, the Authority, along with the FHWA, confirmed Alternative 9 as the Preferred Alternative for the Garden Parkway. Alternative 9 was identified as the Recommended Alternative in the project's Draft Environmental Impact Statement, and was selected as the Preferred Alternative based on public comments and input from environmental regulatory and resource agencies. Since that time, the Authority has been working to complete additional field studies and refine the design and construction guidelines for Alternative 9, resulting in a 25 percent reduction in stream impacts and estimated cost savings of \$170 million.

The Authority expects the current plan of finance is sufficient to build four lanes from I-485/N.C. 160 in Mecklenburg County west to U.S. 321, a distance of about 15 miles. A two-lane section (on four-lane right of way) would be constructed for the remainder of the project and would be widened to four lanes once additional funding becomes available. The cost for this four-lane/two-lane facility is estimated to be approximately \$930 million.

The results of this work will be documented in the project's Final EIS, anticipated for release in August. The FHWA is expected to issue its Record of Decision, signifying final federal approval of the route, in October. The Authority is also currently conducting an Investment Grade Traffic and Revenue Study to aid in preparing the project's plan of finance. The study is expected to be complete and published by the end of the year.

The Authority is planning to issue its Request for Statements of Qualifications (RFQ) from interested design-build teams in November, short list them in December and receive proposals from selected teams in June 2011. Financial close, as well as the award of contracts and beginning of construction, is expected in August 2011.

The Authority initially planned to issue its RFQ in July 2010, but because three other large design-build highway projects are currently under procurement in the Charlotte Metrolina Region (completion of the I-485 loop, the Monroe Connector/Bypass and Phase I of the I-85 Corridor Improvement Project), with another large design-build project set to go into procurement in August (Phase II of the I-85 Corridor Improvement Project), it was determined that a strategic delay in the advertisement date for the Garden Parkway would ensure increased competition and, ultimately, that taxpayers are getting the best value for their money. The decision to delay advertisement was based on discussion with contractors and other stakeholders. The contracts for the three projects currently under procurement, which total more than \$1 billion, will be in place by October. This delay will not affect the Parkway's finance plan, and the project remains on schedule to be completed in 2015.

The project will be financed using appropriation bonds backed by the gap funds approved by the General Assembly, as well as toll revenue bonds and subordinated bonds backed by the projected toll revenue. The plan of finance no longer includes a federal TIFIA loan. In preparation for the issuance of bonds mid-2011, the Authority will seek credit ratings from the rating agencies and prepare the final plan of finance and offering documents for approval by the Authority's Board next summer.

Cape Fear Skyway

The Authority is continuing to work on environmental and design studies for the Cape Fear Skyway in Brunswick and New Hanover counties. The estimated \$1 billion to \$1.3 billion project will run approximately 9.5 miles from the U.S. 17 Bypass to U.S. 421 near Wilmington, including a new high-rise bridge over the Cape Fear River.

In January, the Authority held a public workshop regarding the proposed Skyway in the town of Leland. Additional public workshops will be held later this year. The Authority is now beginning the alternatives analysis for the project, which will detail the various options being considered for study—including construction of a new bridge and/or upgrading existing roadways.

Over the past few months, the Authority has held several meetings with representatives from FHWA, other units of NCDOT and the Wilmington Urban Area Metropolitan Planning Organization (MPO) to identify and document the transportation needs this project would address. The Wilmington Urban Area MPO is updating its Long Range Transportation Plan, and the Authority is coordinating its efforts to develop a sound foundation for the project's studies. The MPO has also asked the Authority to prepare corridor protection plans for the Cape Fear Skyway "northern alignment".

These plans would be filed by the local governments to protect the land within the project's anticipated corridor from future development.

The Skyway's Draft Environmental Impact Statement is scheduled to be released in March 2011 and will be available for public comment. Based on this schedule, the Final EIS is anticipated in March 2012, with the FHWA issuing its Record of Decision in September 2012. The Authority expects to complete its environmental planning efforts, as well as obtain project financing, in 2013. Once funding is secured, the Skyway will take an estimated five years to construct.

Triangle Expressway Southeast Extension

In January, the Authority began studying the possibility of a new toll facility called the Southeast Extension that would connect to the Triangle Expressway and span nearly 30 miles through southeastern Wake County from the N.C. 55 Bypass in Holly Springs to the U.S. 64/264 Bypass in Knightdale. It would also complete the southern and eastern portions of the Raleigh Outer Loop (I-540).

The project would be constructed in two phases. Phase One would run from the N.C. 55 Bypass in Holly Springs to I-40 near the Johnston County line. Phase Two would continue the project at I-40 and end at the U.S. 64/U.S. 264 Bypass in Knightdale. A protected corridor for Phase One, which shields its anticipated route from future development, was established in the mid-1990s. The Authority will evaluate the protected corridor, as well as other possible routes, as part of its project study. Based on the current project schedule, preliminary alternative routes for both phases will be displayed to the public this fall.

The Authority is currently collecting project area data, identifying local transportation needs and beginning to define the purpose of the project as required by the National Environmental Policy Act. The study team will soon begin identifying possible routes, conducting environmental field studies and documenting community characteristics. An initial public workshop regarding the project was held on January 27, 2010 at Wake Technical Community College in Raleigh. There will be additional public events held as the project study progresses, including a series of public workshops scheduled for September. The Turnpike Authority expects to identify the most reasonable routes for the project later this year and will document the potential impacts of these routes in its Draft Environmental Impact Statement.

Construction of the Southeast Extension has not been scheduled and will not begin until the Authority completes its environmental planning and financial feasibility studies, which is expected in 2014. The Draft EIS for the project is scheduled for 2012, with the Final EIS and the Record of Decision, giving final federal approval of the route, anticipated in 2013. The estimated construction time frame for Phase One, once funding is secured, is five years.

Other Efforts

Alliance for Toll Interoperability (ATI)

As a founding member, the Authority remains very active in ATI, an organization comprised of toll agencies, toll authorities, and various state departments/divisions of transportation that collect tolls for roads, bridges, and tunnels. It was established to specifically address the issues surrounding interoperability, or the lack thereof, between the states' tolling systems. J.J. Eden, the Authority's chief operating officer, founded ATI in 2007 and serves as its chairman. Grady Rankin, the Authority's chief financial officer, serves as ATI's secretary/treasurer.

ATI is currently moving forward with developing a set of standard business rules between members for capturing, reading and processing license plate images through a unified hub. It plans to release a Request for Proposals for a Pilot Phase Test System in August 2010. Several meetings have also been held this year outlining the complications of enforcing tolls across state lines for use in drafting legislation to be adopted by each state to address this issue. More than 20 states have been involved in this effort, and ATI hopes to have draft language prepared by the third quarter of this year.

ATI is also focused on establishing a working relationship with the American Association of Motor Vehicle Administration geared toward creating Electronic Vehicle Registration standards, as well as addressing license plate readability issues. Cooperation with state DMVs will be of the utmost importance as more states move to tolling and Vehicle Miles Traveled programs. ATI is also researching alternative tolling opportunities including satellite-based tolling and alternative license plate/vehicle recognition. The committee tasked with this area is working with several video camera manufacturers, license plate companies and cellular companies to assist in decision making as new technologies become available.

International Bridge, Tunnel, and Turnpike Association (IBTTA)

The Authority is also involved with IBTTA, a worldwide alliance of toll operators and associated industries that provides a forum for sharing knowledge and ideas to promote and enhance toll financed transportation services.

In October, the Authority will host an IBTTA conference in Raleigh, entitled *Operating and Maintaining Your Toll Facility – Where the Rubber Meets the Road*. The Authority is working with IBTTA to develop the conference program, which includes a tour of the Operations Customer Service Center, a construction tour of the Triangle Expressway project and a design competition for area students.

Financial Update

Below is a table that summarizes the Turnpike Authority's annual budgets for Fiscal Year (FY) 2007 through FY 2010, as well as the projected budget for FY 2011. The FY 2011 budget was approved by the Turnpike Authority Board of Directors and NCDOT. Eighty percent of the funds used to study and develop turnpike projects are provided by the FHWA, with the remaining 20 percent coming from NCDOT. Administrative costs are provided by the NCDOT, but under an existing agreement, the Turnpike Authority will repay administrative costs from future toll revenues.

Funding versus Actual Overview Summary FY 2007 through FY 2011

Current Projects	FY07 (k)	FY08 (k)	FY09 (k)	FY10 (k)	FY 11 (k)	Total Funding by Project
Triangle Expressway	8,916.00	8,652.00	2,530.60	-	-	20,098.60
Monroe Parkway	2,255.40	2,011.30	7,393.20	9,887.50	7,745.30	29,292.70
Garden Parkway	2,630.30	3,531.60	4,582.30	12,007.44	10,832.92	33,584.56
Mid-Currituck Bridge	2,824.50	2,874.70	6,155.70	8,845.53	9,176.26	29,876.69
Southeast Extension	-	-	2,619.90	2,019.39	6,724.73	11,364.02
Cape Fear Skyway	3,506.90	1,264.60	6,289.30	1,015.50	3,080.71	15,157.01
Other Projects	540.00	79.20	-	-	2,047.50	2,666.7
Total	20,673.10	18,413.40	29,571.00	33,775.36	39,607.42	142,040.28
Administrative Budget	5,500.00	4,998.50	5,975.90	4,812.64	4,406.68	25,693.72
Total Budgeted APW	26,173.10	23,412.10	35,546.90	38,587.90	44,014.10	167,734.10
Administrative Actual ¹	3,934.60	3,623.60	3,802.80	3,797.00*	4,406.68	19,564.68
Actual Project Expenditures by Year	6,816.80	17,530.00	19,005.20	27,505.00*	39,607.42	110,464.42

Note 1 - Actual amount assumes total funding amount for FY 2010

* - Forecast as of May 2010

We are pleased with the progress the Turnpike Authority has made during the first half of 2010, and we look forward to the additional milestones that will be achieved as this year continues. As always, thank you for your ongoing partnership to make toll roads a reality in North Carolina and ensure we continue to provide high-quality transportation infrastructure for our state.

Sincerely,



Eugene A. Conti, Jr.



David Joyner

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