

October 15, 1971

SUBJECT: Pennsylvania Turnpike

TO: Robert P. Casey
Auditor GeneralFROM: Martin H. Brackbill
Special Consultant

Upon study of two documents issued by the Pennsylvania Turnpike Commission and supplied to me by Commissioner Ray Bollinger, I am now of the opinion that freeing the Turnpike is not such a far out idea as it first appeared to be. (See previous memorandum).

There appears to be two items which must be answered before the proposition can go anywhere:

- (1) Can the Commonwealth use General Obligation Bond money to buy the Turnpike? Really not buy it, so much as retire its outstanding debt?
- (2) Will Interstate Federal funds be available for the major improvements, as distinguished from repairs and maintenance, that have been recommended by Michael Baker, Inc. ten-year program?

As I understand the present situation, the Commission was ready to sell some \$300 million in bonds to begin the Baker program but needed the okay of the Governor to do so and he has refused it.

I am sure the question you are interested in was the Governor being foresighted or not. I believe now the former was the case, primarily because the ten-year program calls for improvements costing over a ten-year period an estimated \$789 million. Once such a program is entered into, the chances of eliminating tolls on this highway will go glimmering.

In other words, it is now or possibly never that the road can be freed. How much of the \$789 million program would be eligible for 90% Federal aid requires more information than is contained in the Baker report, but I know that parts of the program would be unnecessary, as for example, \$37 million for a new toll collecting system from Morgantown to the Delaware River, new maintenance buildings and access roads to maintenance buildings, \$6.2 million, and a new communications system, limited to the Turnpike, \$1.6 million.

Also only the mainline of the Turnpike is part of the Interstate system, so that new construction on the northeast extension would probably be eligible only for 50% Federal aid. This includes an estimated \$17 million for a new Lehigh tunnel and \$3.5 million for a larger interchange in the Poconos with I-80.

Can the State free the road? And what does it have to do to accomplish it?

Paragraph 6520 of Purdon's (page 135, 36) states the requirements as follows:

"When all bonds and the interest thereon shall have been paid or a sufficient amount for the payment of all bonds and the interest to maturity thereon, shall have been set aside in trust for benefit of the bondholders, and shall continue to be held for that purpose, the turnpike and the connecting tunnels and bridges shall become part of the system of state highways and shall be maintained by the Department of Highways (Transportation) free of tolls and thereupon the commission shall be dissolved, and all funds of the commission not required for the payment of the bonds and all machinery, equipment and other property belonging to the commission, shall be vested in the Department of Highways. "

The outstanding debt of the Commission on May 31, 1971 (see annual report, page 8) was \$218,716,000, consisting of \$35,143,000, 3% series due June 1, 1982; \$131,290,000, 3.10% series bonds, due June 1, 1993; and \$52,283,000, 3.70% series bonds, due June 1, 2005.

The Commission report states on page 9 that 3.70% bond series may be redeemed in part at a price of 102 until June 1, 1979. However, in the same report it is stated that the Commission bought some of these bonds at prices ranging from 70.82 to 88.49.

Other bonds of the 3% and 3.10% series can be called at a redemption price of 102 until 1972 and 1974 respectively. Yet the Commission purchased some of these bonds at substantially less than that in the year ended May 31, 1971. In fact the Commission paid \$25.89 million, plus \$202,858 in accrued interest to retire \$31,422,000 in bonds during the year.

If bonds can be purchased in the open market at the same or similar rates, it is conceivable that it would cost \$175 million to retire \$200 million in debt.

As for the remaining \$18 million in bonds outstanding, there was \$16.3 million, earning interest in a Commission sinking fund on May 31, 1971, and probably at least half as much more now six months later. (A new statement should be issued November 30, 1971.)

The Commission report shows that \$19.7 million was transferred from the Operating Fund in the year ended May 31, 1971, and that interest earned on money in the sinking fund totalled \$1,631,222 in the same period, so that the possibility of another \$10 million for retiring bonds in this fund since the report is probable.

The question remains can the State issue General Obligation Bonds for this purpose? Probably not for this alone, but if the acquisition of the Turnpike at whatever it costs to retire outstanding bonds, plus accrued interest, is included in a capital budget, as any other project is included, it could be done. As far as I am aware, there is no limitation on the size of a single project, as long as the sum total of all projects, (this proposed one included) does not exceed the current debt limit.

Again that limit is modified by when the bonds are issued.

I believe it would be necessary to issue them at one time or in one year, allowing the money to earn interest until the bonds can be retired. This is essential, I believe, to meet the requirements of the Turnpike law.

How best to go about the sale of such bonds can best be answered by Dave Greene.

What would be the advantages?

(1) It would eliminate the toll road and make this Interstate route, at least the main line, eligible for Interstate funds.

(2) There would be added costs to the Transportation Department, to maintain it, but it would be an exaggeration to say these costs would equal what is now being spent. Estimated operating expenditures in 1971 are put at \$24.6 million by Michael Baker, plus \$4.3 in other expense, consisting of \$3.3 for the Reserve Maintenance Fund (which had a balance of \$19.5 million on May 31, 1971, which the State would acquire) and \$1 million for a special reserve fund (which had a balance of \$3 million on May 31, 1971). This money is set aside for unusual maintenance, repairs, etc. or a nice little kitty.

(3) The Commission is spending almost \$5 million annually for general administration which would largely be eliminated as would \$6 million for fare collection. There is an item of \$4.5 million for traffic services which probably covers such things as snow removal, etc. Maintenance costs, other than traffic services, add up to \$6.5 million, plus another \$3 million for police patrol of the Turnpike.

Thus there can be an added cost of up to \$12 million a year to the Department of Transportation.

In addition, the State would have to pay interest on some \$175 million in bonds to buy the Turnpike which at 5% would cost \$8 or \$9 million a year, plus amortization of the principal and the cost of whatever its share of the proposed new work would be paid from debt.

The State would lose \$72 million in tolls, plus another \$2.5 million in income from restaurant and service station concessions. I do not know what the State's obligation would be to these concessionaires, but their facilities are valued at \$17 million.

One of the principal arguments that will be made against the elimination of the toll road is that half of the tolls or some \$36 million (so Bollinger said) is paid by out-of-State motorists and that this sum would be lost.

I wonder if some of this would not be made up by these same out-of-State tourists remaining a day or so longer in Pennsylvania instead of shooting through; certainly there would be benefits to Philadelphia from freeing the Turnpike. More shippers would use the port.

Finally, the Turnpike facilities are valued at \$693 million so that it would be quite a bargain to get it for the floating of a \$175 million bond issue. This is scarcely an opportunity which will come again.

(According to the Baker report, traffic has held its own in recent years. Burlein, in a foreword to the annual report, says it is increasing again, particularly in the Philadelphia area and on the northeast extension. Lacking details, I have no comment.)

December 1, 1971

SUBJECT: Marty Brackbill's October 15
Pennsylvania Turnpike Memorandum

TO: Honorable Robert P. Casey
Auditor General

FROM: G. Davis Greene
Financial Consultant *G. Davis Greene
mts*

You sent me a copy of this lengthy memorandum for comment. My assumption is that you specifically wanted comments in response to Marty's point on Page 3 concerning the feasibility of a Bond Sale to retire the Turnpike debt.

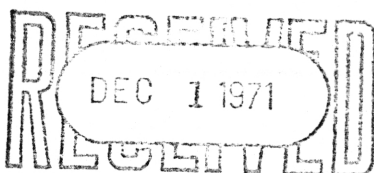
Marty makes the point, which I assume is correct, that if General Obligation Bonds were to be issued, the amount would have to be included in a capital budget. This, in turn, would mean, as I understand it, the delay of some months at least.

Were the Commonwealth to try to sell \$200,000,000 or additional General Obligation Bonds for such a purpose at this time they would, I believe, be successful. There can be no way, however, of predicting the state of a market six or twelve months hence when such a bond issue might be possible.

In the course of my trying to understand the entire question, I spoke with some of the leading underwriters. I also discussed the question with a client of mine who just wound up his term as president of the Philadelphia Marine Trade Association. In addition, I discussed it from another point of view with Bob Nolan, Jr., who is very well informed on the question. His firm did some of the work for the firm of Michael Baker who did the Turnpike study. If you would like to discuss some of their points of view, please let me know.

GDG/mec

AUDITOR GENERAL'S DEPARTMENT



PENNSYLVANIA

December 6, 1971

SUBJECT: Turnpike Contracts

TO: Honorable John M. Lynch
Deputy Auditor General

FROM: Martin H. Brackbill
Special Consultant

I am puzzled by the multiplicity of funds of the Turnpike Commission, which I am sure a study of the bond indenture will clear up.

At any rate, we find expenditures on major construction contracts from (a) borrowed funds, (b) Replacement Reserve Fund (now defunct), (c) Reserve Maintenance Fund, (d) Special Reserve Fund, (e) Tunnels Improvement Project Construction Fund, and (f) Revenue Fund.

We also have miscellaneous contracts amounting to \$13.8 not assigned to any fund.

Of the above there does not appear to be any contracts for the Replacement Reserve Fund later than 1965 so that it seems that this was replaced at some point by the Reserve Maintenance Fund.

From an examination of the current financial statement, it can be determined that money spent from the Reserve Maintenance Fund and the Special Reserve Fund comes from current revenue. Thus the Turnpike Commission has had (and still does have) an enormous kitty for carrying on construction which does not require the approval of the Governor.

In the year ended May 31, 1971, the expenditures from the Reserve Maintenance Fund totalled \$21.4 million and the accounts noted that the consulting engineers (Baker) that expenditures of \$18.4 million will be made in the current fiscal year plus expenditures of another \$13.0 million to complete projects included in prior budgets.

An examination of some of the contracts charged to the Reserve Maintenance Fund shows that the money was spent for items clearly not normal maintenance, for example a toll plaza and utility building at Gateway, construction of a toll plaza and utility building at Harrisburg East and all the medial guard rail construction.

Of course if this money had not been expended, it would have gone into the sinking fund to retire bonds and reduce the Turnpike debt.

A second thing that immediately strikes the eye is the regularity with which the same contractors do the same kind of work.

Whitmyer Bros., Inc. appear to have had some special skill because they received contracts to do millions of dollars worth of medial barrier construction (\$4,792,546). There were two other contractors that I noted: Snowden, Inc., \$711,226; and Statewide Hi-Way Safety Company, \$163,730.

Similarly, Stabler Construction Company, Harrisburg, appeared to have unusual ability to win contracts for roadway resurfacing. The ones I found added up to \$27.8 million on 10 jobs. There were 3 other contractors, E. D. Plummer, who disappeared in the early sixties; Burrell Construction Company, given two contracts totalling \$9.9-million; and Addy Asphalt, three contracts, totalling \$743,000.

The escalation in the cost of resurfacing was terrific. In 1961, Stabler had a contract to resurface 5.5 miles for \$403,954. In 1968, a contract to resurface 16.5 miles totalled \$3,078,278, and in 1970 a contract for 20 miles, \$8,353,736. The first was at a rate of \$73,000 a mile, the last at \$417,000 a mile. I wonder what, in addition to inflation, was the difference?

Another contractor who seemed to have a speciality was Weaver Coal and Construction Company which received contracts for "special pavement repairs" not otherwise identified. In fact, this company did this kind of work so well, that after it did it first from milestone 0.05 to 67.1 in 1963 for \$185,840, they had them back to do it again between the same milestones in 1964 and 1965, the latter contracts costing \$319,207 and \$352,834 respectively. Why???

Frank Irej, Jr., Inc. generally got the contracts for subsealing and drainage. Eight of these contracts, for the same stretches of turnpike that was resurfaced, totalled \$6,098,912.

The engineering contracts always are interesting.

The Commission, which has a resident consulting engineer, who at one time received \$23,000 a month (now \$15,000) plus staff engineers in the top salary brackets, always turned to additional help when it considered anything, such as replacing the tunnels.

Bellante and Claus got \$45,000 for a feasibility study of three tunnels, and Buchart Engineering \$30,000 of Rays and Sideling Hill Tunnels, or \$15,000 a tunnel.

Nevertheless, I wonder who decided that two of the tunnels would be eliminated at a cost of \$22,524,000, which is the total of just the major contract and does not include the additional cost for right of way.

The doubling of the other three tunnels, Tuscarora, Blue Mountain, and Kittatinny cost \$25,000,000 for the two major contracts.

After the feasibility studies, Bellante and Claus wound up with the design of part of the Rays Hill-Sideling Hill bypass at \$300,255 and Buchart Engineering with the other part, \$496,857.

Bellante and Claus were joined with Miller and Nolan to supervise and inspect a gateway plaza at a fee of \$44,101, while Robert E. Nolan, Jr. and Bellante and Claus, Inc. were paid \$55,681 to design the interchange.

The Commission does not appear to have any consistent policy. On one occasion it pays for improvements from borrowed funds. It did this when improving existing tunnels after building second ones at Blue Mountain, Kittatinny, etc. But when it modernized Allegheny No. 1 Tunnel, the money came from tolls (Replacement Reserve Fund), and while Michael Baker's fees for design and inspection of same came from Reserve Maintenance Fund.

The Baker contracts would fill a book.

Here are some of them:

Allegheny Tunnel No. 1: modernization design, \$134,000;
inspection of ventilation, \$28,716; supervision, \$158,951

Pittsburgh Interchange: design, \$77,074

Specifications for bridge deck repairs: \$7,249

Safety inspections of 18 bridges: \$52,708

Review of Buchart feasibility study of Lehigh Tunnel #2: \$7,773

Bridge safety inspection of 13 bridges crossing railroads: \$29,825

Review of plans for barrier type toll collection system: \$215,715

Review and coordination of barrier type toll collections: \$146,000
(Only \$6,346 paid)

Review of design of Lehigh Tunnel #2: \$18,109

Photogrammatic mapping of Rays Sideling Hill bypass: \$30,800

Supervision and inspection of Kittatinny and Blue Mountain
Tunnels: \$844,014

Supervision and inspection of Tuscarora Tunnel #2: \$508,817

Design of new and modernization of Tuscarora: \$673,079

Design of new and modernization of Blue Mountain and Kittatinny:
\$1,104,468

Supervision and inspection of old tunnels (3): \$442,000

Inspection of substation and cables: \$3,000

Survey and design of Allegheny Tunnel #2 and modernization of
#1: \$448,292

Supervision and inspection of same: \$425,977

Coordination of feasibility study of original section of Turnpike:
\$25,287

Review of preliminary plans for improvements, MP 75 to 88:
\$97,685

Review of preliminary design highway improvements, MP 88 to 99:
\$79,975

Review of preliminary design highway improvements, MP 123 to
133: \$124,882

Consulting engineer contract from December 1956 through June 1,
1969: \$2,140,936

(Note: apparently Baker is operating under a different arrangement
from June 1 to present).

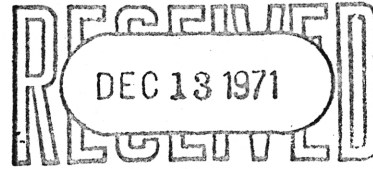
Also of interest is that IBM received \$2,384,070 for toll recording
equipment maintenance, although it is not stated for what period.

MHB/pf

December 13, 1971

SUBJECT: House Resolution 84
Operation of the Turnpike Commission

AUDITOR GENERAL'S DEPARTMENT



TO: Hon. John M. Lynch
Deputy Auditor General

FROM: *Robert R. West*
Robert R. West,
Director of Investigations

I believe that one phase of the house study of the operation of the Turnpike Commission should focus on the engineering studies and costs for the past eight years and the feasibility of taking that function away from the Turnpike and placing it with the Highway Department. In this connection, Formal Opinion No. 666, dated July 19, 1956 of the Attorney General provides that the Department of Highways is responsible for the approval and supervision of such contracts.

There are at present at least seventy (70) professional engineers (including electrical, civil, construction and design), surveyors, draftsman, inspectors, employed by the Turnpike. Using the Grade G Step salary this annual payroll amounts to \$700,908.00.

In addition, the firm of Michael J. Baker, Jr., Inc., is employed as Consulting Engineers at \$15,000.00 per month - as Design Engineers at 1½% of construction and as Review at 1%. As you may note from the attached Schedule, Michael J. Baker, Jr., Inc., was paid the sum of \$5,938,829.74 for Engineering Contracts which was in addition to the \$2,140,936.73 paid on the Consulting Engineers Contract.

Buchart Engineering (Buchart-Horn) received five (5) contracts amounting to \$687,097.15. Brown Professional Engineers received a \$317,965.97 contract for a Preliminary Design for Highway Improvements on November 24, 1970 and Westmoreland Engineering on the same date (for another section of the Pike) received one for \$253,162.65. In 1967 Brown received a contract for \$250,587.25 for a feasibility study for the above area.

December 13, 1971

There have been approximately eleven million dollars in Engineering fees spent - some appear to be unnecessary or duplicate studies. It will require examination of the contracts and interviews with contractors and Turnpike personnel to resolve whether these expenditures were necessary and approved by the Highway Department.

RRW/jah
att.

<u>CONTRACTOR</u>	<u>CONTRACT NUMBER</u>	<u>DATE</u>	<u>AWARDED AMOUNT</u>	<u>CHANGE ORDER</u>	<u>TOTAL CONTRACT</u>	<u>AMOUNT PAID</u>
Michael Baker, Jr.	10-243	3/1/66	156,280.00	17,926.86	174,106.86	171,321.29
<u>DESCRIPTION: Supervision and Inspection of Tuscarora Tunnel No. 1</u>						
Michael Baker, Jr.	-----	8/28/62	425,977.96		425,977.96	425,997.96
<u>DESCRIPTION: Supervision and Inspection of Construction of Allegheny Tunnel No. 2 and Modernization of Tunnel #1.</u>						
Michael Baker, Jr.	-----	10/4/60	500,000.00	(\$79,254.42)	448,292.36	448,292.36
<u>EXTRA WORK</u>						
<u>\$27,546.78</u>						
<u>DESCRIPTION: Survey and Design of New Allegheny Tunnel No. 2 and Modernization of Tunnel No. 1.</u>						
Michael Baker, Jr.	-----	3/21/62	3,500.00		3,500.00	3,500.00
<u>DESCRIPTION: Inspection of Substation and Cables on Contract No. 145-7 (E. C. Ernst, Inc.)</u>						
Michael Baker, Jr.	6101-68-260	10/27/67	25,000.00	<u>EXTRA WORK</u> 2,112.00	27,112.00	25,287.00
<u>DESCRIPTION: Coordination and Development of Feasibility Study of Original Section. M. P. 67 to M. P. 227</u>						
Michael Baker, Jr.	6101-71-062	10/29/70	104,700.00		104,700.00	97,685.10
<u>DESCRIPTION: Review of Preliminary Design for Highway Improvements - M. P. 75.3 to M. P. 88.5</u>						
Michael Baker, Jr.	6101-71-063	10/28/70	83,700.00		83,700.00	79,975.35
<u>DESCRIPTION: Review of Preliminary Design for Highway Improvements - M. P. 88.5 to 99.6</u>						
Michael Baker, Jr.	6101-71-294	10/28/70	129,600.00		129,600.00	124,882.56
<u>DESCRIPTION: Review of Design for Highway Improvements - M. P. 123.3 to M. P. 133.3</u>						

CONTRACTOR	CONTRACT NUMBER	DATE	AWARDED AMOUNT	CHANGE ORDER	TOTAL CONTRACT	AMOUNT PAID
Michael Baker, Jr.	6915-71-835	9/8/70	322,226.25		\$322,226.25	18,109.54
DESCRIPTION: Review of Design and Construction of Lehigh Tunnel						
Michael Baker, Jr.	----	7/7/64	30,800.00		30,800.00	30,800.00
Description: Photogrammetric Mapping Rays-Sideling Hill Bypass						
Michael Baker, Jr.	08-242	3/1/66	861,603.08	(17,588.41)	\$844,014.67	844,014.67
DESCRIPTION: Supervision and Inspection of Kittatinny and Blue Mountain Tunnels No. 2						
Michael Baker, Jr.	08-243	3/1/66	507,409.01	1,408.74	508,817.75	508,817.75
DESCRIPTION: Supervision and Inspection of Tuscarora Tunnel No. 2.						
Michael Baker, Jr.	08-244	11/7/57 Ltr. 8/13/65	7,197.10		7,197.10	7,197.10
DESCRIPTION: Supervision and Inspection of Electrical Power Supply System Kittatinny, Blue Mountain, and Tuscarora Tunnels - Contractra 609-7, 7A, and 7B.						
Michael Baker, Jr.	08-&10-244	8/18/64	645,990.21	(\$27,098.77)	673,079.98	673,079.98
EXTRA WORK						
DESCRIPTION: Design of New and Modernization of Old Tuscarora Tunnel						
Michael Baker, Jr.	08-&10-246	1/26/65	1,080,435.35	(\$24,033.13)	1,104,468.48	1,104,468.48
EXTRA WORK						
DESCRIPTION: Design of New and Modernization of Old Kittatinny and Blue Mountain Tunnels						
Michael Baker, Jr.	10-275	12/18/68	1,039.84		1,039.84	1,039.84
DESCRIPTION: Preparation of Safety Standards for Tuscarora, Blue Mountain, and Kittatinny Tunnels						
Michael Baker, Jr.	10-242	3/1/66	268,560.00	2,519.09	271,079.09	271,079.09
DESCRIPTION: Supervision and Inspection of Kittatinny and Blue Mountain Old Tunnels Nos. 1.						

<u>CONTRACTOR</u>	<u>CONTRACT NUMBER</u>	<u>DATE</u>	<u>AWARDED AMOUNT</u>	<u>CHANGE ORDER</u>	<u>TOTAL CONTRACT</u>	<u>AMOUNT PAID</u>
Michael Baker, Jr.	----	8/28/62			\$28,716.67	\$28,716.67
<u>DESCRIPTION - Supervision and Inspection - Allegheny Tunnel No. 1, Contracts 145-2, 145-3, 145-4 and 145-5.</u>						
Michael Baker, Jr.	-----	10/4/62			134,408.60	134,408.60
<u>DESCRIPTION - Survey and Design Allegheny Tunnel No. 1.</u>						
Michael Baker, Jr., Inc.	6920-68-020	12/13/66	\$32,940.00	\$44,134.25	77,074.25	77,074.25
<u>DESCRIPTION: Survey and Design Pittsburgh Interchange</u>						
Michael Baker, Jr.	6929-69-824	9/8/68	52,708.46		52,708.46	52,708.46
<u>DESCRIPTION: Safety Inspection of Structural Systems of 16 Major Bridges</u>						
Michael Baker, Jr.	6931-70-830	10/3/69	22,500.00	\$14,726.25	7,773.75	7,773.75
<u>DESCRIPTION: Review and Coordination of Feasibility Study for Lehigh Tunnel</u>						
Michael Baker, Jr., Inc.	6929-69-831	2/26/69	29,825.19		29,825.19	29,825.19
<u>DESCRIPTION: In-Depth Bridge Safety Inspection of 13 Bridges Involving Railroad Crossings</u>						
Michael Baker, Jr.	6930-70-620	6/1/69	120,000.00	99,000.00	219,000.00	215,715.00
<u>DESCRIPTION: Review and Coordination of Design of Barrier Type Toll Collection System</u>						
Michael Baker, Jr.	6930-70-672	7/1/69	146,000.00		146,000.00	6,346.59
<u>DESCRIPTION: Review and Coordination of Supervision and Inspection of Construction of Barrier Type Toll Collection System.</u>						

<u>CONTRACTOR</u>	<u>CONTRACT DATE</u>	<u>DATE</u>	<u>AWARDED AMOUNT</u>	<u>CHANGE ORDER</u>	<u>TOTAL CONTRACT</u>	<u>AMOUNT PAID</u>
Michael Baker, Jr.	6918-65-232	8/28/62	159,367.71	(416.13)	158,951.58	158,951.58
<u>DESCRIPTION: Supervision and Inspection Allegheny Tunnel, No. 1 - Contracts 144-1, 144-5, and 144-6</u>						
Michael Baker, Jr.	6934-67-603	6/7/66	150,000.00	129,704.75	279,704.75	279,794.75
<u>DESCRIPTION: Engineering Feasibility Study of Turnpike System - Eastern Section Phase I and Phase II.</u>						
Michael Baker, Jr.	6924-69-837	9/8/70	75,000.00		75,000.00	4,717.69
<u>DESCRIPTION: Review of Pocono Interchange Design and Construction</u>						
Michael Baker, Jr.	6914-67-812	11/5/57	7,249.14		7,249.14	7,249.14
<u>DESCRIPTION: Preparation of Plans and Specifications for Clarks Summit Bridge Deck Repairs</u>						

<u>REVENUE FUND</u>			
<u>CONTRACTOR</u>	<u>DATE</u>	<u>AWARDED AMOUNT</u>	<u>TOTAL CONTRACT</u>
Michael Baker, Jr., Inc.	4/29/60	\$100,000.00	\$100,000.00
70% Revenue Fund			
22% N. E. Construction			\$100,000.00
8% DIP Construction			
			<u>AMOUNT PAID</u>

DESCRIPTION: Engineering Survey of Excess Property Along Entire System

MISCELLANEOUS CONTRACTS

Michael Baker, Jr.
 Consulting Engineers Contract - Paid from Revenue Funds and a portion from
 Northeastern Extension Construction

<u>DATE</u>	<u>AMOUNT PAID</u>	<u>PERIOD</u>
12/16/56	326,200.00	7 days under old contract
11/7/57	13,103.34	23 days under new contract
	1,633.39	Plus \$1,633.39 Extra Work
	10,000.00	per month - 138 months
6/1/69	15,000.00	per month - 28 months
	420,000.00	

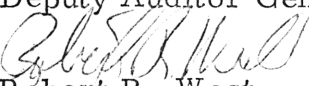
TOTALS. 2,140,936.73

Note: \$284,666.67 was paid from N. E. Construction Funds and the balance from Revenue Funds

December 16, 1971

SUBJECT: House Resolution 84
Operation of the Turnpike Commission

TO: Honorable John M. Lynch
Deputy Auditor General

FROM: 
Robert R. West
Director of Investigations

In an examination of the Survey and Design Contracts that Michael Baker, Jr., Inc., had been paid on, we noted that in the payments from the Reserve Maintenance Fund Contract that Baker had been paid \$7,773.75 for a Review and Coordination of Feasibility Study for the Lehigh Tunnel under Contract No. 6931-70-830 dated October 3, 1969 and this was a review of a feasibility study for the Lehigh Tunnel conducted by Bucharth-Horn under Contract No. 6931-70-829 of November 17, 1969 in the amount of \$18,665.20. On Contract No. 6925-71-834 dated November 4, 1970, Bellante, Clauss, Miller and Nolan, Inc., and the firm of McCormick, Taylor & Associates, Inc. all of which were paid the sum of \$230,630.28 being a part of what might be a total contract of \$627,859.88 for Preliminary and Final Design and Inspection of Lehigh Tunnel. Under Contract No. 6925-71-835 dated September 8, 1970, Michael Baker, Jr., Inc., were paid the sum of \$18,109.54 for Review of Design and Construction of Lehigh Tunnel. A total of \$275,168.77 has been spent from the Reserve Maintenance Fund for a Study, Design and Construction type contracts on the Northeast Extension of the Turnpike.

The wording of the Reserve Maintenance Fund states that, "Reserve Maintenance Fund shall be held as a reserve and used for paying the cost of resurfacing, replacing or reconstructing any project financed under the provision of this Indenture or, after the Retirement date, the Pennsylvania Turnpike System, or any part thereof, the cost unusual of extraordinary maintenance or repairs, renewals and replacements, and the cost of replacing equipment, and shall be disbursed only for such purposes."

December 16, 1971

Page 2 - Hon. John M. Lynch

It is rather questionable as to any need for an additional tunnel in the Northeast Extension as this Extension of the Turnpike has had very little traffic and there has been no back-ups caused by the conditions that existed in the Western part of the Pike.

It should also be pointed out that the Trustees depositing money to the credit of the Reserve Maintenance Fund do so on the recommendation of the Consulting Engineers. In this connection, it would appear that the Consulting Engineers would be recommending money to the Reserve Maintenance Fund for purposes other than set forth in Section 509.

RRW/jah

January 7, 1972

SUBJECT: House Resolution 84
Operation of the Turnpike Commission

TO: Honorable John M. Lynch
Deputy Auditor General

FROM: *Robert R. West*
Robert R. West
Director of Investigations

Reference is made to the contract entered into between Michael Baker, Jr., Inc., and the Pennsylvania Turnpike Commission dated June 1, 1969 which supposedly was entered into because of the question of Baker receiving the larger contracts and monies on the tunnel projects.

On this date, June 1, 1969, the Reserve Maintenance Fund showed Michael Baker, Jr., under Contract #6930-70-620 receiving an amount of \$215,715.00 which is for the "Review and Co-ordination of Design of Barrier Type Toll Collection System". On June 30, 1969 under this same contract number, Sanders and Thomas, Inc., received an amount of \$836,281.68 for "Design, Plans and Specifications for Barrier Type Toll Collection System".

Baker also on July 1, 1969 under Contract No. #6930-70-672 had a contract for \$146,000.00 of which he had been paid \$6,346.59 for "Review and Co-ordination of Supervision and Inspection for Construction of Barrier Type Toll Collection System".


RRW/jah

AUDITOR GENERAL'S DEPARTMENT
RECEIVED
JAN 7 1972
ADMINISTRATION

January 10, 1972

SUBJECT: House Resolution 84
Operation of the Turnpike Commission

TO: Honorable John M. Lynch
Deputy Auditor General

FROM: 
Robert R. West
Director of Investigations

In 1969, a contract was apparently negotiated with Sanders and Thomas, Inc., in the amount of \$360,000.00 which through Change Orders increased to \$836,281.68 and one with Michael Baker, Jr., in the amount of \$215,715.00, which contracts were to "Design, Plans and Specifications for Barrier Type Toll System".

In September, 1970 the Commission entered into four contracts for the general construction of the Toll Plaza, Utility Building and Temporary Run Around for the Schuylkill Mainline Barrier, Montgomery County. All of these contracts were later cancelled, however, in the case of Near Contracting Company \$632,759.32 was paid and on the electrical contract \$1900.00 was paid.

In the Michael Baker, Jr., report of 1971, speaking of the Eastern Area Toll System Conversion, Baker states that, "Bids were received for the barrier at a cost of approximately \$3,103,000.00, and that the Engineering Plans and Specifications were 95% completed".

As the Plans and Specifications approached completion in August, 1970 the bidding experience of the Schuylkill Barrier was evaluated and new construction costs estimate reflected the increase in construction costs which updated estimates presented to the Commission showed a projected cost in the amount of \$35,000,000, ore more than the double the \$14,000,000 reported in the Annual Report.

This project had been planned for financing from funds to be deposited from the Reserve Maintenance Fund, but the Commission, the Fiscal Advisor and the Consulting Engineer decided that the project was not presently financially feasible and accordingly the excursion has been suspended until further study.


It would appear that unless they continue the Commission has spent roughly \$1.5 million, there would be money down the drain.

RRW/jah

January 10, 1972

SUBJECT: House Resolution 84
Operation of the Turnpike Commission

TO: Honorable John M. Lynch
Deputy Auditor General

FROM: 
Robert R. West
Director of Investigations

The Reserve Maintenance Fund, as established in Article V, Section 509, of the Trust Indenture states that, "Reserve Maintenance Fund shall be held as a reserve and used for paying the cost of resurfacing, replacing or reconstructing any project financed under the provision of this Indenture or, after the Retirement date, the Pennsylvania Turnpike System, or any part thereof, the cost unusual of extraordinary maintenance or repairs, renewals and replacements, and the cost of replacing equipment, and shall be disbursed only for such purposes."

In an examination of Reserve Maintenance Fund Account, it was found that the Reserve Maintenance contracts have grown since 1960 as follows:

In 1960, the were (using only the even figure) \$385,000.00; in 1961 \$180,000.00; in 1962 \$1,009,000.00; in 1963 \$1,196,000.00; in 1964 \$1,411,000.00; in 1965 \$2,072,000.00; in 1966 \$3,256,000.00; in 1967 \$4,416,000.00; in 1968 \$7,727,000.00; in 1969 they practically doubled and became \$14,886,000.00; in 1970 \$18,900,000.00 and in 1971 \$15,700,000.00.

From the limited amount of material which we have, which describes the contract and the contract company, it becomes almost impossible for us to make a determination as to whether or not the Reserve Maintenance Funds of the Commission are being misused and being used for purposes other than "repairs, renewals and replacements".

It would appear as though this would be an inquiry matter by the House Committee of the Consulting Engineer (Annual Recommendations) the Turnpike Commission (Annual Budget Recommendations) and to those Highway Officials who should approve such expenses.

As an example of how funds have grown in their expenditures from 1960 to the present day, we are attaching hereto a study of the Stabler Construction Company of Harrisburg, which as you may note, starts in 1960 with Resurfacing Contracts at \$500,000.00 and in 1971 is up to Resurfacing Contracts in the amount of \$5,000,000.00. In the ten year period they received \$29,000,000.00

Hon. John M. Lynch
Page 2

January 10, 1972

\$27 of the \$29 million dollars was paid since April, 1967, I am not necessarily saying that there was anything wrong on the awarding of these contracts to this company, but you may note that this company supposedly based in Harrisburg is receiving contracts from the Ohio line to Mile Post 226.

The \$5 million Resurfacing contract of May, 1971 just states Bedford County and does not give any Mile Post destination.

RRW/jah

STABLER CONTRUCTION CO.

HARRISBURG, PENNA.

<u>YEAR</u>	<u>PROJECT</u>	<u>MILE POST</u>	<u>AMOUNT</u>
1960	Resurfacing	170-178	\$541,473.63
1960	Resurfacing	178-186	\$662,808.63
1961	Resurfacing	221.27-226.60	\$403,944.98
1962	Undersealing		\$114,931.97
1963	Stablizing	130.01-164.46	\$294,016.96
1967(Apr.)	Resurfacing	62.5-82.6	2,548,357.05
1968	Resurfacing	82.6-99.3	3,078,276.75
5/27/69	Resurfacing	0.06-6.23	1,720,378.96
7/25/69	Resurfacing	123.5-133.5	3,022,658.29
3/24/70	Resurfacing	6.23-12.03	1,748,523.51
6/10/70	Resurfacing	101.9-121.87	8,353,736.40
5/3/71	Resurfacing	Bedford County (?)	5,823,576.88
9/14/71	Overlay	174-179	717,060.55
			<hr/>
			\$29,029,744.56

\$27,012,568.39 since April of 1967.

January 24, 1972

SUBJECT: Pennsylvania Turnpike Bond Review

TO: John M. Lynch
Deputy Auditor General

FROM: G. Davis Greene, Jr.
Financial Consultant

This memorandum should be considered my opening report to you on my inquiries into the Pennsylvania Turnpike Bond question. Primarily, it is meant to suggest areas for further investigation. The limited time, materials and my personal knowledge of the situation would not, at this point, enable me to propose many solutions to what is, in fact, a very complex situation. I continue to see my principal value here as that of a resource person who can be called as the investigations proceed and can be expected to then respond with specific answers to questions that have arisen.

Source material that I have used to date include the following:

The May 31, 1971 Annual Report of the Turnpike Commission.

Interim Financial Reports through September 31, 1971.

October 15, 1971 Memorandum on the subject from Martin Brackbill, Special Consultant to the Auditor General.

December 6, 1971 Memorandum from Mr. Brackbill to Mr. Lynch on the same subject.

The Official Statement of the Turnpike Commission relating to the issuance of Revenue Bonds Series of 1966 which includes statements from the consulting engineers.

Various discussions with members of the Municipal Bond Community concerning the Bond activities of the Turnpike Commission and the Trustee.

It might be noted that in the case of the last source listed above that it is very difficult to get independent judgments on the subject.

Those with knowledge on the subject are either bankers or investment dealers. The bankers would be reluctant to say anything that would suggest any criticism of the Trustee, The Fidelity Bank. The dealers have a certain vested interest in the continuance of the present methods of operation and would be reluctant to have the rules changed on them.

My several observations to date would be as follows:

- (1) A main focus at this time would appear to be a proposal made by the consulting engineers for a ten year program calling for the expenditure of \$789,000,000. I have not seen this program and would have very limited abilities to analyze it in any case. I find it very difficult to reconcile the fact of such a program with a statement made in the Official Statement of the Turnpike Commission dated January 25, 1966 as follows:

"The Commission presently has no plan for nor does it now contemplate any extensions, Projects or Additional Improvements to the Turnpike System that will require financing through the issuance of revenue bonds. It is expected that any major costs of replacement, maintenance or improvement that may become necessary will be adequately provided for from the Reserve Maintenance and Special Reserve Funds."

- (2) In recent years, presumably with knowledge of a need for substantial renovation and improvement expenditures, the Commission has elected to accelerate the retirement of current debt outstanding. On the advice of the consulting engineers, materially higher amounts could have been spent for such maintenance purposes, thereby reducing the need for a program as massive as that which is now contemplated. From a bond point of view, this seems questionable, inasmuch as the present debt carries low rates of interest, whereas the debt which would be sold now to finance a new program would cost considerably more. Why would one extinguish 3.10% coupons and then need to go out and borrow larger amounts of money at assumed rates of $5\frac{1}{2}$ - 6%?
- (3) Partially in response to questions raised elsewhere, it should be recognized that a considerable amount of the current financial procedure of the Turnpike, which seems cumbersome, is so

spelled out in the indenture and, therefore, not realistically subject to change. This statement, however, does not invalidate the principle of point #2 above.

- (4) In his memorandum, Mr. Brackbill discussed the question of issuance of general obligation debt by the Commonwealth to retire the Turnpike debt. He reaches the conclusion therein that this is feasible insofar as the laws and the indenture provisions are concerned, assuming, of course, that such an expenditure is included in a capital budget. A question he referred to me in his memorandum was in effect whether the present debt emission schedule of the Commonwealth and the state of the bond market would enable such an issue (approximately \$200,000,000). The answer for right now is that it could be done with little or no difficulty. It should be kept in mind, however, that the present good health of the tax-exempt bond market relates to an easy money policy on the part of the Federal Reserve and bank bond demand which is a function of slack loan demand. These factors cannot be forecast far into the future.
- (5) The Commission retires debt by authorizing the Trustee to solicit the tendering of bonds to them on a periodic basis. The holders of the bonds, in other words, offer bonds to the Trustee at a price of their election and the Trustee, in turn, uses the money that has been made available to buy the bonds at the highest prices tendered. This arrangement is standard and satisfactory except for one fairly important point. The solicitation of tenders by the Trustee is done through the intra-dealer wire service. It is not done by advertising to the general public through the press or otherwise. This gives the dealers an obvious edge since they are competing only among themselves. (And, I suspect not very strenuously). Broader publicity to the public would in my judgment not only be the responsible thing for a public body to do as a matter of principle, but would also, in a practical sense, develop higher tender prices.

JAMES J. MANDERINO, MEMBER
15 PLEASANT DRIVE
MONESSEN, PENNSYLVANIA 15062



COMMITTEES
—
APPROPRIATIONS
CAPITAL BUDGET—
SUB-COMMITTEE CHAIRMAN
—
CONSUMER PROTECTION

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

The Honorable Jacob Kassab
Secretary
Department of Transportation
1200 Transportation & Safety Building
Harrisburg, Pennsylvania

Dear Secretary Kassab:

The Committee of the House of Representatives now studying the operations of the Turnpike Commission, pursuant to House Resolution 84, has scheduled a public hearing for

We thank you for your cooperation and help to the Committee thusfar in our investigation.

We formally request your personal appearance and the appearance of any staff members who may furnish testimony to the Committee pertinent to our investigation.

Of special interest to the Committee will be the operation of the Pennsylvania Department of Transportation as compared to the Turnpike Commission in such areas as cost of equipment, cost of maintenance, leasing of equipment and per mile cost of maintaining our highways. We would also welcome whatever testimony you feel you may give which may aid the Committee in its' investigation.

Thank you for your cooperation.

Very truly yours,

James J. Manderino

JJM:mz

JAMES J. MANDERINO, MEMBER
15 PLEASANT DRIVE
MONESSEN, PENNSYLVANIA 15062



COMMITTEES

APPROPRIATIONS
CAPITAL BUDGET—
SUB-COMMITTEE CHAIRMAN

CONSUMER PROTECTION

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

The Honorable J. Shane Creamer
Attorney General
Department of Justice
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

Dear Attorney General:

The Committee of the House of Representatives now studying the operations of the Turnpike Commission, pursuant to House Resolution 84, has scheduled a public hearing for

We thank you for your cooperation and help to the Committee thusfar in our investigation.

We formally request your personal appearance and the appearance of any staff members who wish to furnish testimony to the Committee pertinent to our investigation.

Of special interest to the Committee would be an explanation by you of the Justice Department's official Opinion No. 666 dated July 19, 1956, along with the informal Opinion No. 1174 dated June 5, 1941. We also welcome any other testimony that you may want to give pertaining to the work of the Committee.

Your attendance is requested at

Thank you for your cooperation.

Very truly yours,

James J. Manderino

JJM:mz

JAMES J. MANDERINO, MEMBER
15 PLEASANT DRIVE
MONESSEN, PENNSYLVANIA 15062



COMMITTEES

APPROPRIATIONS
CAPITAL BUDGET—
SUB-COMMITTEE CHAIRMAN

CONSUMER PROTECTION

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

Lester F. Burlein
Chairman
Pennsylvania Turnpike Commission
P. O. Box 2531
Harrisburg, Pennsylvania

Dear Mr. Burlein:

The Committee of the House of Representatives now studying the operations of the Turnpike Commission, pursuant to House Resolution 84, has scheduled a public hearing for

We thank you for your cooperation and help to the Committee thusfar in our investigation.

We formally request your personal appearance and the appearance of any staff members who wish to give testimony on the subject being studied by our Committee. We also request, at this first formal hearing, that you and your staff be present to answer questions of the Committee on any of the information which has been forwarded to the Committee by you, pursuant to my letter of September 24, 1971 and my letter of November 23, 1971.

Your appearance with your staff is requested at

Thank you for your cooperation.

Very truly yours,

James J. Manderino

JJM:mz

JAMES J. MANDERINO, MEMBER
15 PLEASANT DRIVE
MONESSEN, PENNSYLVANIA 15062



COMMITTEES

APPROPRIATIONS
CAPITAL BUDGET—
SUB-COMMITTEE CHAIRMAN

CONSUMER PROTECTION

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

The Honorable Milton J. Shapp
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

Dear Governor Shapp:

The House Committee now studying all operations of the Pennsylvania Turnpike, pursuant to House Resolution 84, has scheduled a public hearing for

We would welcome a member of your staff to be present at this hearing, should you deem the same desirable.

Preliminary investigations by the Committee involving contracts, construction costs, rental and purchasing equipment, budget costs, etc., have raised substantial questions bearing on the costs of operations in the present Turnpike Commission setup.

The Committee has asked that I formally request of you that you continue in your refusal to execute the now proposed seven hundred million plus dollars bond issue of the Turnpike Commission until our Committee has had an opportunity to more fully explore the present operations of the Commission.

We feel a minimum of ninety (90) days delay from this date would not cause any grave consequences for the Commission, and may prove of great benefit to the Citizens of the Commonwealth.

Please let me hear from you regarding your thoughts on this matter.

Very truly yours,

James J. Manderino

JJM:mz



HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

September 24, 1971

MEMO

SUBJECT: Special Investigating Committee - Pennsylvania Turnpike Commission
Re: House Resolution 84

TO: All Members

FROM: Representative James J. Manderino

There will be a meeting of the above Special Investigating Committee
on Thursday, September 30, 1971 at 1:00 P. M., in Room 245.

Your attendance will be appreciated.

mz



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

November 15, 1971

MEMO

SUBJECT: Meeting of the Special Investigating Committee of the Pennsylvania
Turnpike Commission - Re: House Resolution 84

TO: All Members

FROM: James J. Manderino, Chairman

There will be a meeting of the above Special Investigating Committee
on Tuesday, November 23, 1971 at 10:00 a. m., in Room 401.

Please try to attend.

mz



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

December 15, 1971

MEMO

SUBJECT: Special Investigating Committee - Pennsylvania Turnpike Commission
Re: House Resolution #84

TO: All Members

FROM: Representative James J. Manderino
Chairman

There will be a meeting of the above Special Investigating
Committee on *Tues 21st 12:00* ~~Monday~~, December ~~20~~, 1971, at ~~9:00 a. m.~~, in Room
151.

Your attendance will be appreciated.

mz

COMMONWEALTH OF PENNSYLVANIA



PENNSYLVANIA TURNPIKE COMMISSION

P.O. BOX 2531 - HARRISBURG, PA. 17120

August 30, 1971

AREA CODE 717 939-9551

*The Honorable James J. Manderino
Pa. House of Representatives
Main Capitol Building
Harrisburg, Pennsylvania, 17120*

Dear Representative Manderino:

There has been much confusion concerning the operation of the Pennsylvania Turnpike. I have taken the liberty of writing this letter and enclosing our latest financial statement for your information.

As you know, the Pennsylvania Turnpike was created by an Act of the General Assembly and signed into Law by Governor George H. Earle on May 21, 1937. The Pennsylvania Turnpike was officially opened to traffic on October 1, 1940.

Although the Commission was authorized to raise revenue to finance and construct the toll road through the sale of bonds, the law stipulated that "the faith and credit of the Commonwealth of Pennsylvania is not pledged to the payment of the principal or interest of such bonds". Under no circumstances was state tax money to be involved in this project.

The original Turnpike extended 160 miles from Irwin to Middlesex. By November 17, 1954, with the opening of the 110 mile Northeast Extension, the Turnpike had grown to its present size of 470 miles.

Despite 31 years of operation and annual news coverage of Turnpike operations, all too many Pennsylvanians are not aware of several important aspects of the Turnpike's operation.

Many people are not aware that the Pennsylvania Turnpike Commission receives no tax money, from any source, and is sustained solely by revenues collected on the Turnpike. Few people realize that the Commission pays the entire cost of maintaining the 237 officers and men of the State Police Troop "T" assigned to patrol the Turnpike and that the Commission also contributes to the cost of training new troopers at the State Police Academy.

It is probably of prime importance for the average Pennsylvanian to know that more than 50% of all revenues collected are paid for by out-of-state patrons. Last year this amounted to more than \$37,000,000.00. As a result of the continuing financial success and growth of the Pennsylvania Turnpike, the 1,800 employees are able to make a real contribution to the economic well being of our Commonwealth.

I have also enclosed a copy of our 30th Anniversary Annual Report which combines, in story form, the history and operation of the Pennsylvania Turnpike over the first 30 years.

I hope that this information may be of some use to you and your constituents.

Respectfully yours,



ANTHONY S. MAMMARELLA
Director of Public Relations

ASM:g

Enclosures (2)

HERBERT FINEMAN, ESQ.
THE SPEAKER
ROOM 139, MAIN CAPITOL BLDG.



632 BANKERS SECURITIES BLDG.
PHILADELPHIA, PENNA. 19107
PHONE: AC 215 - K15-7973

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

September 7, 1971

Honorable James J. Manderino
15 Pleasant Drive
Monessen, Pennsylvania 15062

Dear Jim:

House Resolution 84, which has been adopted by the House, authorizes the creation of a committee of five members -- three from the majority party and two from the minority party -- to be appointed by the Speaker of the House to review all aspects of the Pennsylvania Turnpike.

I am pleased to appoint you as a member and chairman of this committee. The other Democrats that I am appointing to the committee include Representatives Jim Ritter and Lou Sherman.

As soon as I am advised as to the names of the minority members to be submitted, I will forward same to you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Herb Fineman".

Herbert Fineman
The Speaker

HF:ac



HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

September 24, 1971

Lester F. Burlein, Chairman
Pennsylvania Turnpike Commission
P. O. Box 2531
Harrisburg, Pennsylvania

Dear Mr. Burlein:

Pursuant to House Resolution 84 a Committee of the House is now studying all operations of the Pennsylvania Turnpike Commission. As Chairman of this Committee I am now in process of scheduling hearings and assembling certain basic information for distribution for all the Members of the Committee.

May I ask you to provide, as soon as possible, the following information, which I feel is necessary for the Committee's information in their assigned task:

1. The dates of all bond issues of the Turnpike Commission, including the dollar amount of bonds issued and the purpose for which each bond issue was made.
2. A schedule indicating the retirement of the bonds issued each year from the time of issue, including monies placed in sinking funds or other accounts reserved for the retirement of bonds.
 - a. I would like the schedule to clearly indicate the outstanding bond issue yearly (total obligation less reserve for retirement) at the time any new issue was made.
3. A listing of the number of regular employees by category and job classifications with pay scales for the same, including any professional staffing of the Turnpike Commission and listing of consultants professionally employed regularly, including their rate of payment.
4. A listing of all contracts, including design, engineering, construction, repair or maintenance let or made since January 1, 1960, including total amounts paid in such contracts (showing both the initial cost and the change order cost); showing also the contractor's name and a short description of the work to be performed under said contract.



Lester F. Burlein, Chairman
Pennsylvania Turnpike Commission

Page Two

September 24, 1971

HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

5. A copy of the most recently completed bond issue documents, including a copy of the latest trust indenture and the trust indentures covering the last three (3) previous bond issues.

6. Copies of all existing agreements or leases with operating service stations, restaurants or road service franchises by, under or through the Turnpike Commission.

7. The number and classification of existing toll free permits issued for use of the Turnpike without compensation, including an estimate of the toll free miles travelled by these permittees.

A further piece of information which I am trying to track down concerns maintenance of the Turnpike. As Chairman of this study group, I have reviewed all of the Acts of Assembly pertaining to the Turnpike Commission and the operation of the Pennsylvania Turnpike Commission. Section 12 of the Act of May 21, 1937 (PL 774) indicates that the maintenance of the Turnpike should be done through the Department of Highways (now Transportation).

It is my understanding the Turnpike Commission handles maintenance work through contracts and/or employees directly under the control of this Commission. This is contrary to the apparent intention of the Legislature in Section 12 of the Act above referred to. My inquiry, therefore, seeks to find any justification or authority that might exist for the manner in which the maintenance is handled.

It is my information that the present method of maintaining the Turnpike evolved, by formal or informal agreement, between the Department of Highways (now Transportation) and the Turnpike Commission some years ago. I would appreciate a copy of the agreement reached, if the same is written, or a memorandum of the understanding as the same may appear within the minutes of the Commission.

Should you have any questions regarding the information requested, please contact me about the same.

Please advise.

Very truly yours,

James J. Manderino

JJM:mz



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

September 24, 1971

The Honorable J. Shane Creamer
Attorney General
238 Main Capitol
Harrisburg, Pennsylvania

Dear Mr. Creamer:

Pursuant to House Resolution 84 a Committee of the House is now studying all operations of the Pennsylvania Turnpike Commission. As Chairman of this study group, I have reviewed all of the Acts of Assembly pertaining to the Turnpike Commission and the operation of the Pennsylvania Turnpike Commission.

Section 12 of the Act of May 21, 1937 (PL 774) indicates that the maintenance of the Turnpike should be done through the Department of Highways (now Transportation).

As you are probably aware the present Turnpike Commission handles maintenance work through contracts and employees directly under the control of the Commission. This would seem to be contrary to the apparent intention of the Legislature in Section 12 of the Act above referred to. My inquiry, therefore, seeks to find any justification that might exist for the manner in which the Turnpike is presently maintained.

It is my information that the present method of maintaining the Turnpike evolved, by formal or informal agreement, between the Department of Highways (now Transportation) and the Turnpike Commission some years ago.

Can you inform me as to whether or not any formal opinions, informal opinions, or letters of advice exist, wherein the Attorney General's office may have rendered advice regarding the Turnpike maintenance work or the validity of such agreement.

Please advise.

Very truly yours,

JJM:mz

James J. Manderino



HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

September 24, 1971

The Honorable Jacob G. Kassab
Secretary
Department of Transportation
1200 Transportation & Safety Building
Harrisburg, Pennsylvania

Dear Secretary Kassab:

Pursuant to House Resolution 84 a Committee of the House is now studying all operations of the Pennsylvania Turnpike Commission. As Chairman of this study group, I have reviewed all of the Acts of Assembly pertaining to the Turnpike Commission and the operation of the Pennsylvania Turnpike Commission.

Section 12 of the Act of May 21, 1937 (PL 774) indicates that the maintenance of the Turnpike should be done through the Department of Highways (now Transportation).

As you are probably aware the present Turnpike Commission handles maintenance work through contracts and employees directly under the control of the Commission. This would seem to be contrary to the apparent intention of the Legislature in Section 12 of the Act above referred to.

It is my information that the present method of maintaining the Turnpike evolved, by formal or informal agreement, between the Department of Highways (now Transportation) and the Turnpike Commission some years ago. I would appreciate a copy of the agreement reached, if the same is written, or a memorandum of the understanding, with the time or date same was made, if the same exists within the records of the Department of Transportation.

Please advise.

Very truly yours,

JJM:mz

James J. Manderino



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA TURNPIKE COMMISSION
HARRISBURG 17120

L. F. BURLEIN
CHAIRMAN

September 28, 1971

The Honorable James J. Manderino
Member
House of Representatives
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

Dear Mr. Manderino:

In response to your letter of September 24, pertaining to the Committee appointed pursuant to House Resolution 84, to study the operations of the Pennsylvania Turnpike, please be advised that I have, today, assigned to the respective departmental heads, the task of researching and accumulating all of the various documents and data pertaining to the specific requests which you have enumerated in your letter.

I have instructed these departmental heads to secure the aforesaid information as quickly as possible, and upon obtaining the same from them shall make the necessary transmittal to you, as Chairman of the ad hoc Committee.

I have also instructed that the required research be directed toward the obtainment of information which will provide the necessary clarification relating to Section 12 of the 1937 Enabling Act, and which stipulates responsibility for the maintenance of the Turnpike and its relationship to the Department of Highways (or PennDOT).

I shall make every effort to secure this information for you as soon as possible.

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. F. Burlein".

L. F. BURLEIN, P.E.

LFB/hs



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF ATTORNEY GENERAL
HARRISBURG, PA. 17120

J. SHANE CREAMER
ATTORNEY GENERAL

September 29, 1971

Honorable James J. Manderino
House of Representatives
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

Dear Representative Manderino:

Thank you for your letter of September 24, 1971, concerning the operations of the Pennsylvania Turnpike Commission.

I am enclosing a copy of Official Opinion No. 666 issued on July 19, 1956, by former Attorney General Herbert B. Cohen. This opinion concludes, among other things, that the Department of Highways (now the Department of Transportation) is responsible for Turnpike maintenance.

If you have any further questions concerning this matter, please do not hesitate to call on me.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Shane Creamer".

J. Shane Creamer
Attorney General

enclosure



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF TRANSPORTATION
HARRISBURG, PENNSYLVANIA 17120

OFFICE OF
SECRETARY OF TRANSPORTATION

October 6, 1971

Honorable James J. Manderino, Member
House of Representatives
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

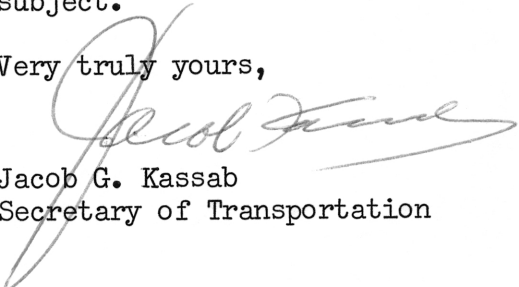
Dear Representative Manderino:

Reference is made to your letter of September 24, 1971, requesting a copy of an agreement or memorandum of understanding between this Department and the Turnpike Commission concerning maintenance responsibility of the Turnpike.

Please be advised that we have made a thorough search of our records and we have failed to locate any such document. I have written to Lester Burlein, Chairman of the Commission, requesting a meeting to discuss this subject at his earliest convenience.

Thank you for your interest in this subject.

Very truly yours,


Jacob G. Kassab
Secretary of Transportation



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF TRANSPORTATION
HARRISBURG, PENNSYLVANIA 17120

OFFICE OF
SECRETARY OF TRANSPORTATION

October 8, 1971

The Honorable James J. Manderino
House of Representatives
Room 302, Main Capitol Building
Harrisburg, Pennsylvania

Dear Mr. Manderino:

As a result of House Resolution 84, which authorized a study of operations of the Pennsylvania Turnpike Commission, and the questions raised by your letter to the Pennsylvania Turnpike Commissioner of September 24th, regarding maintenance responsibility on the turnpike, I asked our Office of Deputy Attorney General to research the legal relationship and responsibilities between the Commission and this Department.

Research by our Counsel has uncovered the two Opinions of the Attorney General interpreting the Turnpike Acts which are attached for your information. I have also been advised that neither opinion has been overruled by a subsequent opinion of the Attorney General or a Court decision. The opinion, therefore, would appear to be binding insofar as legal relationships and responsibilities between this Department and the Commission are concerned.

In summary, the opinions hold that this Department is responsible for:

1. Approving all contracts and agreements relating to the construction of the turnpike. You will note that Formal Opinion No. 666, dated July 19, 1956, states that the fact that the Secretary, as a member of the Commission, votes in favor of execution of a contract does not relieve the Secretary of his duty to approve same by execution.
2. Supervision of all construction work in connection with the turnpike.
3. Approval of purchase of right-of-way and other interests in land.

4. Approval of location of the turnpike.
5. Maintenance of the turnpike.

In regard to maintenance, you will note that Informal Opinion No. 1174, dated June 5, 1941, which was cited with approval in the 1956 opinion, holds it is mandatory for this Department to assume the maintenance and repair of the turnpike with its own employees. Also, materials necessary for this work must be purchased by this Department through the Department of Property and Supplies in accordance with the provisions of the Administrative Code. This Department is then to be reimbursed for its expenditures.

The opinion also holds that the Turnpike Acts contemplate joint action by the Commission and this Department which neither agency can waive in favor of the other agency.

It is therefore obvious that any agreement or arrangement which was made by our predecessors which altered the duties and responsibilities of our agencies was not and is not in accordance with the law and the opinions of the Attorney General.

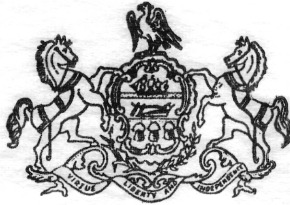
May I suggest that we sit down with Commissioner Burlein at the earliest possible moment in an effort to resolve this very complex matter.

Very truly yours,



Jacob G. Kassab,
Secretary of Transportation

Attachments



HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

November 23, 1971

**The Honorable Robert P. Casey
Auditor General
229 Finance Building
Harrisburg, Pennsylvania**

Dear General Casey:

On the 7th day of September, 1971 the House of Representatives authorized a Special Committee under House Resolution 84 to investigate the cost of operating the Pennsylvania Turnpike to determine whether or not the same can be and should be made toll free.

In preliminary investigations by the Committee and in reviewing various factual data which we have had the Commission supply to the Committee, it has become obvious to the Committee that a thorough job demands expertise in various fields of auditing, which, of course, the Committee is without.

I am therefore asking whether or not it would be possible for you to furnish to the Committee, which has full subpoena and full investigative power of all the operations of the Commission, several persons who may be knowledgeable in the floating of bonds, redemption of the same, interest rates that are paid currently by other state agencies, etc. Also persons who have expertise in general auditing and investigative talent and can advise us regarding the procedures of the Commission, so far as internal control of expenditures is concerned.

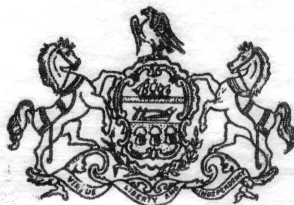
I would be happy to meet with you personally to discuss the necessity of my specific requirements, at your convenience.

Please advise.

Very truly yours,

JJM:mz

James J. Manderino



HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

November 23, 1971

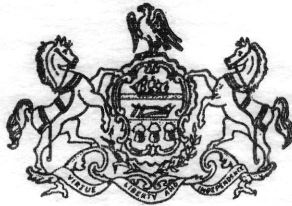
Lester F. Burlein
Chairman
Pennsylvania Turnpike Commission
P. O. Box 2531
Harrisburg, Pennsylvania

Re: House Resolution #84
Turnpike Investigation Committee

Dear Mr. Burlein:

In reviewing the materials furnished by your office regarding the operation of the Pennsylvania Turnpike, the need for additional information has become apparent. I am preparing another list of information, which our Committee will need, which I will forward in the next ten days. Meanwhile, I would like to request several items in addition to what we will later request. They are as follows:-

1. A copy of the contract of the Consulting Engineer, Michael Baker.
2. An inventory listing of all highway maintenance and construction equipment owned by the Turnpike Commission with an indication of its working condition.
3. A listing of all equipment purchased in the past 3 years, along with invoices for the same, indicating prices and equipment description.
4. A copy of the detailed budget of the Turnpike Commission for the last 3 years and a to-date expenditure budget for the current year.
5. A copy of the Turnpike Commission's schedule for renting equipment and a list of equipment actually rented during the last 3 years. This should include persons or companies from whom equipment is rented, type of equipment rented and rentals paid per day, hour etc.



HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA
Lester F. Burlein, Chairman HARRISBURG November 23, 1971 Page Two
Pennsylvania Turnpike Commission

We plan to hold our first public hearing about the second week in December and we would like this information as soon as possible, as we would like to review same prior to this public hearing.

If you have any questions, please feel free to call upon me.

Very truly yours,

James J. Manderino

JJM:imz

COPY



ROBERT P. CASEY
AUDITOR GENERAL

Commonwealth of Pennsylvania
Office of the Auditor General
Harrisburg 17120

November 30, 1971

Representative James J. Manderino
House of Representatives
302 Main Capitol Building
Harrisburg, Pennsylvania 17120

Dear Mr. Manderino:

In response to your letter of November 23, 1971, the Department of the Auditor General will be pleased to provide professional staff assistance to the Special House Committee investigating the fiscal operations of the Pennsylvania Turnpike.

As I told you at our meeting today, we will provide personnel with expertise in the sale and redemption of bonds, accounting, auditing, management and other areas necessary for the full inquiry planned by your Committee.

Preliminarily, I plan to assign at least five persons under the direction of Deputy Auditor General John M. Lynch.

Mr. Lynch will be in touch with you shortly to give you a preliminary report on the material you left with me and to discuss with you and your fellow committee members how we can be most useful to your inquiry.

If you have any further questions before the meeting, please contact Mr. Lynch.

Sincerely,


Robert P. Casey



ROBERT P. CASEY
AUDITOR GENERAL

Commonwealth of Pennsylvania
Office of the Auditor General
Harrisburg 17120

December 14, 1971

Honorable James J. Manderino
House of Representatives
302 Main Capitol Building
Harrisburg, Pennsylvania

Dear Jim:

Pursuing my telephone conversation with you of yesterday, I would appreciate meeting with you and other members of the Special House Committee investigating the Pennsylvania Turnpike to determine how you want members of our staff to proceed.

As I told you yesterday, our staff people have already reviewed the voluminous material you sent to me last week and we are prepared to make suggestions for a number of lines of inquiry. It is our feeling that we should begin substantive inquiries as quickly as possible to provide your committee with the best information available on the condition of the Turnpike Commission.

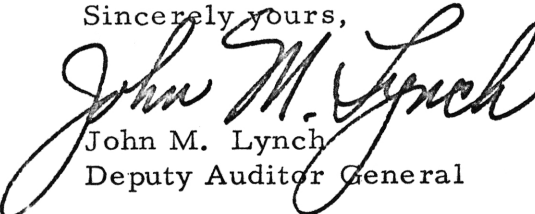
Members of the Auditor General's staff who will be working on this inquiry include, in addition to myself:

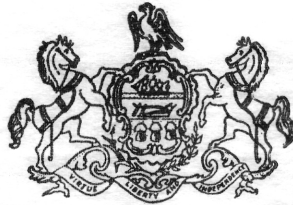
Edward J. Kaltenbach, CPA.
Martin H. Brackbill, Management and Fiscal Consultant.
W. Davis Greene, Bond Consultant.
Robert R. West, Director of Investigations.

Additional staff accountants and investigators will be assigned as needed.

Awaiting your instructions on how to proceed, I am

Sincerely yours,


John M. Lynch
Deputy Auditor General



HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

December 8, 1971

Lester F. Burlein
Chairman
Pennsylvania Turnpike Commission
P. O. Box 2531
Harrisburg, Pennsylvania

Dear Mr. Burlein:

In writing to you on November 23, 1971 pertaining to the operations of the Pennsylvania Turnpike, I asked for additional information. Included in this information was a request for a copy of the contract of the Consulting Engineer, Michael Baker.

On December 7, 1971 I received from Michael Baker, Jr., Inc., correspondence including a copy of the existing contract between the Commission and his company. According to this agreement, which became effective June 1, 1969, it cancels abrogates, and terminates the agreement between the parties dated November 7, 1957.

I would at this time request you forward me the Agreement dated November 7, 1957.

Thank you for your cooperation.

Very truly yours,

James J. Manderino

JJM:mz



HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

December 29, 1971

Lester F. Burlein, Chairman
Pennsylvania Turnpike Commission
P. O. Box 2531
Harrisburg, Pennsylvania

Dear Mr. Burlein:

Pursuant to the authority of House Resolution #84, the Special Committee Investigating the Turnpike is continuing its review of materials which you have so cooperatively furnished. This letter is to inform you that the Committee has engaged staff for the Committee who will be doing much of the detail, investigation and compilation of information for the Committee.

The following persons are now engaged with the Committee as staff and the Committee requests that the Commission cooperate fully with any of the named persons in request for information and conferences with Pennsylvania Turnpike Commission Personnel. These are the authorized persons:-

Edward J. Kaltenbach, CPA
Martin H. Brackbill, Management and Fiscal Consultant
W. Davis Greene, Bond Consultant
Robert R. West, Director of Investigations
John M. Lynch, Deputy Auditor General

I thank you in advance for the cooperation and assistance you will render these gentlemen when they call upon the Commission.

Very truly yours,

James J. Manderino

JJM:mz

cc: John M. Lynch



ROBERT P. CASEY
AUDITOR GENERAL

Commonwealth of Pennsylvania
Office of the Auditor General
Harrisburg 17120

December 14, 1971

Honorable James J. Manderino
House of Representatives
302 Main Capitol Building
Harrisburg, Pennsylvania

Dear Jim:

Pursuing my telephone conversation with you of yesterday, I would appreciate meeting with you and other members of the Special House Committee investigating the Pennsylvania Turnpike to determine how you want members of our staff to proceed.

As I told you yesterday, our staff people have already reviewed the voluminous material you sent to me last week and we are prepared to make suggestions for a number of lines of inquiry. It is our feeling that we should begin substantive inquiries as quickly as possible to provide your committee with the best information available on the condition of the Turnpike Commission.

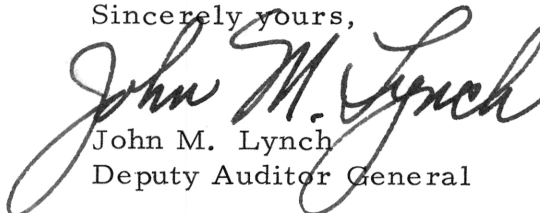
Members of the Auditor General's staff who will be working on this inquiry include, in addition to myself:

Edward J. Kaltenbach, CPA.
Martin H. Brackbill, Management and Fiscal Consultant.
W. Davis Greene, Bond Consultant.
Robert R. West, Director of Investigations.

Additional staff accountants and investigators will be assigned as needed.

Awaiting your instructions on how to proceed, I am

Sincerely yours,


John M. Lynch
Deputy Auditor General