Pennsylvania Turnpike Commission
Act 44 Financial Plan
Fiscal Year 2013

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Secretary of the Budget,
Commonwealth of Pennsylvania

Submitted by:
Pennsylvania Turnpike Commission

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PENNA TURN-PIKE

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I. Summary

Summary

Act 44, which was enacted on July 18, 2007, expands the Pennsylvania Turnpike Commission's ("PTC" or the "Commission") mandate from one focused entirely on constructing, operating and improving the Pennsylvania Turnpike to providing annual funding contributions for broader Commonwealth transportation needs. Since Act 44's passage the Commission has fully met its obligations by providing a total of $3.40 billion in funding support for Commonwealth transportation needs through payments under a Lease and Funding Agreement (the "Funding Agreement"), dated October 14, 2007, with the Pennsylvania Department of Transportation ("PennDOT"). The Commission has financed its Act 44 commitments to the Commonwealth through the issuance of Subordinate Revenue Bonds and Subordinate Special Revenue Bonds with $3.9 billion in currently outstanding debt.

The provisions of Act 44 and the Funding Agreement require that the PTC provide a financial plan to the Secretary of the Budget on or before June 1 of each year that describes the Commission's proposed operating and capital expenditures, borrowings, liquidity and other financial management covenants and policies, estimated toll rates and all other revenues and expenditures for the ensuing fiscal year. Act 44 provides that the financial plan shall demonstrate that the operation of the Commission can reasonably be anticipated to result in having sufficient funds to make payments due to PennDOT pursuant to the Funding Agreement and Act 44 during the ensuing and future fiscal years. It is important to note that the financial plan does not cover the funding needs for the Mon/Fayette or the Southern Beltway projects, which are separately financed by certain dedicated tax sources. This report, which was prepared by the PFM Group ("PFM") for the Commission, is submitted in compliance with the financial plan requirement.

Similar to other public agencies, the Commission continues to contend with the effects of the slow economic recovery and volatile motor fuel prices. Nevertheless, during this time, the Commission fully met its Act 44 obligations and progressed with its enhanced capital plan. Reflecting the importance and economic strength of the Turnpike, fiscal 2012 transactions have essentially remained steady despite the combination of sluggish economic conditions the imposition of toll increases consisting of 10% on cash customers and 3% on E-ZPass users in January 2011 and 10% increase on cash customers in January 2012. Due to favorable winter weather conditions and the Commission's on-going cost containment efforts, fiscal 2012 operating expenses are estimated to be 3.9% below budget at $303.3 million. The Senior Revenue Bond debt service coverage ratio for fiscal 2012 was 3.50x, which was higher than the 3.42x coverage ratio anticipated in last year's plan. While toll revenues are projected to come in lower than last year's plan, this was more than offset by lower than expected operating and debt service costs. Subordinate Revenue Bond and Subordinate Special Revenue Bond debt service coverage ratios of 1.86x and 1.80x, respectively were also higher than last year's plan.

The fiscal 2013 financial plan reflects the full year effects of the January 2012 toll increase and the partial year impacts of a January 2013 toll increase. Pursuant to a July 19, 2011 resolution the Commission approved overall toll increases averaging 3% annually for 2013 and 2014.

Recognizing cost savings associated with a warmer than expected winter cannot be reasonably considered for fiscal 2013, the Commission developed its budget assuming more typical weather conditions, inflationary cost increases and the benefit of a $25 million pre-funding of Other Post Employment Benefit ("OPEB") obligations in fiscal 2012. While fiscal 2013 budgeted operating expenses of $326.7 million are 7.7% higher than projected fiscal 2012 operating expenses, they represent a 3.5% increase compared to the fiscal 2012 operating expense budget.

The financial plan estimates PTC is expected to generate the necessary resources to: (i) meet Turnpike operations and maintenance expenses; (ii) pay debt service obligations; (iii) support capital reinvestment of $575.2 million (which is consistent with ten year capital plan); and (iv) provide $450 million in contributions required to meet Act 44 obligations. Fiscal 2013 debt service coverage on the Commission's Senior Revenue Bonds, Subordinate Revenue Bonds and Subordinate Special Revenue Bonds is projected to be 3.51x, 1.70x and 1.58x, respectively and is consistent with the Commission's targeted debt service coverage ratios. Projected fiscal 2013 debt service coverage ratios are somewhat lower than last year's plan. This is primarily due to a 4.4% reduction in projected fiscal 2013 toll revenues compared to last year's forecast, reflecting the slower pace of economic recovery.

PTC's mandate under Act 44 means the Commission has taken on greater financial responsibilities to fund $450 million annually in Commonwealth highway and transit needs. Meeting these obligations will require the Commission to significantly increase its debt levels to finance Act 44 payments, implement a regular schedule of toll increases on the Turnpike and pursue an aggressive cost containment program to manage expense growth.

At the same time the Commission is progressing with its enhanced ten year capital plan to accelerate initiatives to improve and maintain the Turnpike in a state of good repair, ensure customer safety and convenience and address capacity constraints. Over the fiscal 2013-2022 period, the capital plan calls for nearly $7.0 billion in spending and advances the Stage 1 design and construction of the I-95 Interchange Project, provides for the implementation of All Electronic Tolling ("AET"), increases the average miles of totally reconstructed roadway and resurfacing, and the rehabilitation or replacement of structurally deficient bridges.

The long range financial plan reflects the Commission's commitment to operate and maintain its toll facilities, support a Turnpike capital investment program at levels consistent with the enhanced ten year plan spending levels adjusted for inflation, and fully fund its Act 44 obligations. At the same time the financial plan assumes the Commission will maintain debt service coverage ratios of at least 2.0x on annual debt service for its Turnpike Senior Revenue Bonds, 1.30x on combined debt service for its Turnpike Senior Revenue and Subordinate Revenue Bonds and 1.20x for all three of its liens. In addition, a liquidity level equal to at least 10% of operating revenues is assumed to be maintained. These coverage and liquidity targets reflect the Commission's goal to maintain financial flexibility consistent with its credit ratings. To meet these operating, capital and Act 44 obligations and maintain these coverage and liquidity ratios, the financial plan assumes Turnpike traffic and toll rates will increase at levels sufficient to comply with these parameters. As part of the Act 44 financial planning process, the Commission will annually review underlying economic conditions and traffic in order to establish toll rates to meet its goals. Further, PTC will continue its efforts to manage operating cost growth to a 4% annual rate through on-going cost containment and efficiency measures.

The PTC will continue to regularly access the capital markets to both finance its own capital needs and meet Act 44 payment obligations. Between fiscal 2013 and 2022, the Commission is expected to issue $10.5 billion in debt (including issuance and reserve costs). Debt issued to support Turnpike capital needs in this year's plan over the next ten years is projected to be $6.2 billion, while debt issued to support Act 44 payment obligations is expected to be $4.3 billion during this period.

Beginning in fiscal 2013 the Commission's strategy will be to fund some of the transit operating support obligation with cash. At the same time a portion of current year cash will fund Turnpike capital needs on a pay-as-you-go basis and maintain sufficient liquidity in the General Reserve Fund.

Over the course of the 2013-2057 financial plan period, PTC debt issuance is expected to total $35.0 billion. Total debt issuance assumed in this year's long-term financial plan includes $25.0 billion for Turnpike capital needs and $10.0 billion to finance Act 44 obligations. It is important to note that while the Turnpike's debt burden is projected to increase, debt issuance is spread over several decades, providing a degree of financial flexibility. Debt service coverage of the Turnpike Senior Revenue Bonds is projected to be at least 2.25x, while debt service coverage of Turnpike Subordinate Revenue Bonds and Subordinate Special Revenue Bonds is at least 1.35x and 1.20x, respectively.

While PTC's financial plan is based on reasonable financial assumptions, it is important to recognize that there are inherent uncertainties in projecting resources and obligations over a 44 year time period. Downside risks to the financial plan include lower than expected traffic and toll revenues, higher interest and inflation rates and/or greater than projected cost increases. In the near term, the financial plan accounts for the effects of the gradual economic recovery. To accommodate these risks, the financial plan requires the PTC to maintain strong debt service coverage and preserve internal liquidity. Nevertheless, it is also important to assess how the combination of downside risks may impact the financial plan and to identify remediation measures the Commission could implement to maintain fiscal stability. PTC will monitor its performance relative to the financial plan, and take corrective action if costs are higher and/or toll revenues are less than projected. While such a scenario may call for further adjustments in toll rates, the Commission will explore strategies to contain cost growth or reprioritize capital initiatives to manage the level of rate adjustments and maintain fiscal stability.

As the Commission continues to meet its Turnpike and Act 44 financial obligations over the course of fiscal 2013, it will continue its ongoing activities to refine and strengthen its financial plan, including:

- **Traffic and Revenue Forecasts:** PTC updated its Turnpike revenue projections in March 2012 based on its traffic consultants' assessment of recent economic conditions and their expected long term impact on traffic demand. PTC conducts an on-going analysis of its traffic and revenue trends to develop a toll rate setting strategy that balances the need to generate the required revenues to meet Turnpike obligations, as well as Act 44 payments, with the implementation of an equitable toll rate paid by customers that does not cause undue diversions to non-tolled highways. The Commission is also evaluating and pursuing options to convert the Turnpike's toll collection to an AET system. To date the Commission has undertaken an initial feasibility study and is procuring the services of an AET program management consultant. As part of the development of the AET strategy, the Commission will identify AET toll rate setting and operations strategies that both provide pricing flexibility and protect the generation of toll revenues so that the PTC will continue to meet its Turnpike and Act 44 obligations while maintaining financial flexibility. The Act 44 financial plan includes the capital costs for AET implementation. However, given AET toll setting and operating strategies are in the initial phases of development, the financial plan does not reflect toll revenue and operating cost impacts associated with an all-electronic tolling strategy.

- **Operations and Maintenance Cost Strategies:** During the course of the fiscal year, the Commission will continue its efforts to provide recurring savings and operating efficiencies that control cost growth.

- **Capital Planning:** To meet the travel needs of its customers and generate the necessary revenues to meet its obligations, PTC is committed to maintaining and improving its capital assets, and providing sufficient capacity to meet future traffic demand. The Commission has a well-established ten year capital planning effort for the Turnpike. PTC has adopted a $7.0 billion enhanced fiscal 2013-fiscal 2022 ten year capital plan.

- **Financing Initiatives:** The Commission has navigated through a difficult capital markets environment over the past four years. Using this year's financial plan as a guide, the Commission will evaluate alternative structures that facilitate cost effective financing, meet the PTC's and Commonwealth's needs and preserve fiscal stability.

II. Serving the Commonwealth's Mobility Needs

Serving the Commonwealth's Mobility Needs

The Pennsylvania Turnpike Commission ("PTC" or the "Commission") serves an integral role in meeting Pennsylvania's mobility needs. Since 1940 the Commission has been responsible for the construction, operation and maintenance of the Pennsylvania Turnpike, a system now encompassing 545 route miles (the "Turnpike"). The Turnpike's facilities include the 359 mile east-west Mainline traversing the southern portion of Pennsylvania that connects with the New Jersey Turnpike in the east and the Ohio Turnpike in the west; the 110 mile north-south Northeastern Extension; the 18 mile north-south Beaver Valley Expressway; the 13 mile Amos K. Hutchinson Bypass near the New Stanton Interchange; four segments of the Mon/Fayette project totaling 39 miles in length (with an additional 7.7 miles expected to open in the summer of 2012); and a six mile segment of the Southern Beltway.

As an instrumentality of the Commonwealth, the Commission's governance structure is composed of members who are responsible to Turnpike customers, elected officials and policy makers. The Commission is governed by five members, including the Pennsylvania Department of Transportation ("PennDOT") Secretary. Commission members are appointed by the Governor with the advice and consent of at least two-thirds of the Senate and are appointed for a term of four years. The members of the Commission select among themselves the Chairman, Vice Chairman and Secretary/Treasurer. While the Commission members are responsible for establishing policy and providing oversight, the Chief Executive Officer is responsible for carrying out the Commission's policies and directions and day-to-day management. The Chief Executive Officer is supported by a senior staff consisting of the Chief Operating Officer, Chief Financial Officer, Chief Engineer and Chief Counsel. PTC carries out its operations with a staff of 2,123 employees.

By fostering access and facilitating economic development, the PTC has benefited from significant traffic demand since the initial segment of the Turnpike opened in 1940. While the PTC now serves a mature travel market, recent traffic demand has increased by 0.9% annually between fiscal years 2002 and 2012 to an estimated 189.1 million transactions. Despite the effects of the recession, volatile motor fuel prices and toll rate increases including 25% in January 2009, 3% in January 2010, 3% for E-ZPass customers and 10% for cash customers in January 2011 and 10% for cash customers in January 2012; demand has remained stable, reflecting the economic strength and importance of the Turnpike. With the full year effect of the January 2011 and partial year impact of the January 2012 increases as well as a slow recovery in economic conditions, PTC estimates fiscal 2012 transactions will remain flat at 189.1 million while toll revenues will grow 5.4%.

Passenger vehicles represent 87% of Turnpike traffic, while commercial vehicles (mostly trucks) comprise the balance. Reflecting the PTC's strategy to charge trucks a toll more commensurate with greater maintenance requirements to accommodate these vehicles, the Commission receives 43% of its toll revenues from commercial vehicles and 57% from passenger vehicles.

To provide and maintain high quality transportation infrastructure for its customers and preserve the Turnpike's economic competitiveness, the PTC is undertaking its ten year $7.0 billion enhanced capital improvement program that features the Stage 1 design and construction of the I-95 Interchange Project, provides for the implementation of AET, increases the average miles of totally reconstructed roadway from 7 to 13 each year, the rehabilitation or replacement of structurally deficient bridges from 48 to 59 and the average miles of roadway resurfacing per year from 48 to 75.

Reflecting the growing acceptance of electronic tolling, E-ZPass market share increased to 65% of revenues in fiscal 2011 from 56% in fiscal 2007. PTC has also embarked on installing unmanned E-ZPass-only slip ramps to provide greater access and reduce congestion at busier Turnpike interchanges. To date, PTC has installed Express E-ZPass lanes at five interchanges that permit electronic toll-paying customers to travel through the toll plaza at highway speeds.

The combination of a strong travel market, periodic toll increases, capital reinvestment and a good financial management track record have allowed the PTC to maintain a strong financial position. Since fiscal 2007, debt service coverage of its Senior Revenue Bonds has been at least 2.26x, while, combined Senior, Subordinate and Subordinate Special Revenue debt service coverage has been at least 1.77x. After meeting all Turnpike-related obligations, PTC had an ending General Reserve Fund balance in fiscal 2011 of $151.1 million which exceeded the Commission's liquidity policy. Nevertheless, as described in detail in the following sections, meeting Act 44's mandates and preserving the PTC's financial flexibility requires prudent and proactive management of toll rate setting, revenue collection, operations and maintenance expenses, debt issuance and capital investment.

Act 44 and PTC's Expanded Mandate

Act 44 (P.L. 169) expands the PTC's mandate from one focused on constructing, operating and improving the Turnpike to providing annual funding contributions for broader Commonwealth transportation needs. Commission payment obligations for highways and bridges are deposited into the Commonwealth's Motor License Fund, while payments for operating assistance for transit are deposited into the Public Transportation Trust Fund. The PTC's contributions are in addition to certain dedicated taxes and fees received by these two funds.

Act 44 and the Funding Agreement also provided the framework for PennDOT and the Commission to convert I-80 to a toll road, pending approval from the United States Department of Transportation ("USDOT"). However, following USDOT's rejection of PennDOT and the Commission's application to toll I-80, the Commission's Act 44 funding obligation was reduced to a fixed annual amount of $450 million ($250 million for transit and $200 million for roads and bridges beginning in fiscal 2011). It is noted that the prior administration sent letters beginning in August 2010 to the Commission that the fiscal 2011 payments should be at a higher funding level under Act 44. An informal dispute resolution process was initiated, and the parties met in October 2010 with no resolution. The Corbett administration and the Commission resolved the matter through a Settlement Agreement executed on September 30, 2011 that stated that the amount paid by the Commission in fiscal 2011 fully met PTC's Act 44 obligation and no further payment obligation was required for that fiscal year. Exhibit 1 presents the Commission's annual funding obligations under Act 44.

Exhibit 1
Pennsylvania Turnpike Commission
Act 44 and Funding Agreement
Annual Funding Requirements
($ in Millions), Fiscal Year End 5/31

Fiscal Year	Highways and Bridges Capital	Transit			Total Act 44 Funding
		Operating	Capital	Subtotal	
2008	$450	$250	$50	$300	$750
2009	$500	$250	$100	$350	$850
2010	$500	$250	$150	$400	$900
2011-2057(*)	$200	$250	$0	$250	$450

(*) Lower funding requirements beginning in fiscal 2011 reflect USDOT's decision not to permit tolling of I-80

In April 2011, Governor Corbett appointed a 40-member Transportation Funding Advisory Commission (the "TFAC"), chaired by Secretary of Transportation and Pennsylvania Turnpike Commissioner Barry Schoch, to develop a "comprehensive, strategic proposal for addressing the transportation funding needs of Pennsylvania." In August 2011, the TFAC provided its findings and recommendations to the Governor. Specific to the Commission, the TFAC recommended amending Act 44 to shift Commission payments to PennDOT under the Funding Agreement exclusively to public transportation purposes and expanding tolling authority to all interstates. While multiple bills have been introduced in the General Assembly to implement the one or more recommendations of the TFAC, none have advanced in either chamber at this time. As part of its financial planning process, the Commission continues to evaluate the financial impacts of proposals that change the allocation of Act 44 funding between highways and transit.

PTC's payment obligations under the Funding Agreement are provided by Subordinate Revenue and Subordinate Special Revenue Bond proceeds. The bonds are secured by payments derived from the General Reserve Fund and are defined as being subordinate to payments required for Turnpike operations, maintenance, capital improvements and debt service. Payments are due to PennDOT in equal quarterly installments on the last business day of July, October, January, and April.

As described in more detail in subsequent sections of this financial plan, PTC has issued debt on a tax-exempt basis to finance its Act 44 payment obligations. A key assumption for PTC is that the roads and bridges portion of each payment to PennDOT will be used primarily for long life capital projects so as to maximize the use of tax-exempt debt. As Turnpike revenues grow reflecting future years' toll increases and traffic growth, PTC's goal is to ultimately fund Act 44 payment obligations from cash.

Act 44 and the Funding Agreement, in combination with the PTC's financing structure, provide the Commission with a number of tools to meet its payment obligations. These are summarized below and are more fully described in the following sections of the financial plan.

- **General Reserve Fund:** After meeting Turnpike capital needs and maintaining minimum liquidity requirements together with the Reserve Maintenance Fund equal to at least 10% of that year's total operating revenues, cash from the General Reserve Fund can be used to fund Act 44 payment obligations.

- **Senior Revenue Bonds:** Given PTC's multi-year capital needs and the long useful life of major capital improvements, the Commission debt finances a substantial portion of its capital improvement program. The Senior Revenue Bonds are payable from the net toll revenues of the Turnpike.

- **Subordinate Revenue Bonds:** Since amounts in the General Reserve Fund are not expected to be sufficient to fully fund PTC's Act 44 payment obligations in any given year, the Commission will likely debt finance the majority of these payments for an extended period. The Subordinate Revenue Bonds are secured by payments from the General Reserve Fund, known as Commission Payments, and may be used to finance both transit and highway and bridge obligations.

- **Subordinate Special Revenue Bonds:** Similar to the Subordinate Revenue Bonds, the Subordinate Special Revenue Bonds are issued to help finance Act 44 annual payment obligations. Act 44 authorizes a total of $5 billion of bonds to be toll-supported, but credit-enhanced by the Commonwealth's Motor License Fund to finance only highway and bridge obligations. Called "Special Revenue Bonds" in Act 44, these obligations may be issued in amounts of up to $600 million per year. The Subordinate Special Revenue Bonds are paid from Commission Payments, but are junior to the Commission's Subordinate Revenue Bonds. To the extent Commission Payments are not sufficient to make a scheduled deposit for debt service, certain available Motor License Fund resources would make up the deficiency. PTC would be responsible for reimbursing any advances from the Motor License Fund over time.

III. Fiscal 2012 Activities

Fiscal 2012 Activities

PTC continued to meet its funding commitments in full and on time during the fifth year of Act 44, providing $450 million to the Commonwealth. As the Commission carries out its Act 44 responsibilities, it also continues its efforts to maintain and improve the Turnpike. It is important to note that the PTC met its obligations in the midst of a slow economic recovery and managed its financial pressures through cost containment measures. Credit market conditions continued to improve last year with a favorable interest rate environment. PTC continues to pursue debt structures to yield the lowest possible costs as evidenced by its selective use of floating rate notes and thirty year fixed rate Subordinate and Subordinate Special Revenue bond structures that took advantage of historically low interest rates while maximizing investor demand.

Meeting Act 44 and Turnpike funding commitments in a constrained financial environment requires carefully managing financial obligations while maintaining fiscal balance and flexibility. As part of the Act 44 financial planning process, the Commission evaluates alternative tolling, operating cost, capital program and debt financing strategies to meet its obligations in a cost-effective and prudent manner. The ability to continually review and, as appropriate, adjust strategies throughout the term of the Funding Agreement provides the Commission with the necessary flexibility to adapt to changing market conditions.

Turnpike Operations and Capital Program

PTC toll revenues after commercial discounts and electronic toll collection adjustments are estimated to have grown 5.4% in fiscal 2012, to $779.3 million. The average toll paid per transaction equaled an estimated $4.12. Fiscal 2012 toll revenues are projected to be 3.1% lower than what was assumed in last year's financial plan due to the slower than expected economic recovery (see Exhibit 2). Total transactions for the entire fiscal year are estimated to have remained essentially unchanged at 189.1 million. While demand has been somewhat impacted by fluctuating fuel prices, it is important to note the economic strength of the Turnpike relative to unemployment and volatile gasoline prices. According to the Bureau of Labor Statistics, the Commonwealth's unemployment rate decreased from 7.9% in April 2011 to 7.4% in April 2012. Gasoline prices within the East Coast, according to the Energy Information Administration, have varied significantly over the past fiscal year from a low of $3.31 per gallon in December 2011 to a high of $3.97 per gallon in April 2012. Fuel prices moderated in May 2012 at $3.88 per gallon. Total Turnpike revenues, which include toll revenues and other income derived from service plazas and transponder sales, grew an estimated 5.8% to $803.0 million – 2.3% less than levels assumed in last year's plan, while interest income declined by over 23% compared to fiscal 2011.

Exhibit 2
Fiscal 2012 Estimated Turnpike Results Compared to Last Year's Financial Plan
($000) Fiscal Year End 5/31

		2012 Financial Plan			
	2011	**Current Estimate**	**Prior Plan**	**% Diff 2011**	**% Diff Prior Plan**
Turnpike Operating Income					
Gross Toll Revenues	739,703	779,340	804,427	5.4%	-3.1%
Gross Non-Toll Revenues	18,930	23,628	17,271	24.8%	36.8%
Gross Operating Revenues	758,633	802,968	821,698	5.8%	-2.3%
Operating Expense	295,483	303,300	315,650	2.6%	-3.9%
Interest Income	11,089	8,541	4,750	-23.0%	79.8%
Net Turnpike Revenues	474,239	508,209	510,798	7.2%	-0.5%
Turnpike Senior Revenue Bonds Debt Service	133,718	145,099	149,569	8.5%	-3.0%
Net Income Before Capital Expense and General Reserve	340,521	363,110	361,229	6.6%	0.5%
Turnpike Working Capital					
Cash Beginning Balance	61,607	75,203	68,330	22.1%	10.1%
Construction Fund Beginning Balance	144,500	454,561	449,844	214.6%	1.0%
Newly Sized Senior Bond Proceeds	538,661	-	-	-100.0%	
Previously Unused Senior Bond Proceeds Used	144,500	340,131	427,724	135.4%	-20.5%
Current Senior Bond Proceeds Used	84,100	-	-	-100.0%	
Construction Fund Ending Balance	454,561	114,430	22,120	-74.8%	417.3%
Net Income	340,521	363,110	361,229	6.6%	0.5%
Capital Expenditure	356,283	425,164	534,654	19.3%	-20.5%
PAYGO	127,683	85,033	106,931	-33.4%	-20.5%
Federal Fund Reim.	9,346	9,237	9,120	-1.2%	1.3%
Capital Expenditure Reconciliation	(71,083)	(38,934)	-	-45.2%	
Liquidity Requirement	75,863	80,297	82,170	5.8%	-2.3%
Liquidity Requirement Cashflow Set-aside	4,860	4,433	6,500	-8.8%	-31.8%
Tax-Exempt Subordinate Bonds Debt Service	120,871	118,274	123,220	-2.1%	-4.0%
Taxable Subordinate Bonds Debt Service	12,446	12,440	12,440	-0.1%	0.0%
Subordinate Special Revenue Bonds Debt Service	1,541	10,063	13,447	552.9%	-25.2%
Subordinate and Sub Special Rev DSRF Earnings	2,213	6,330	3,300	186.0%	91.8%
Net Funds Remaining Before Act 44 Payments	75,203	184,703	179,512	145.6%	2.9%
Debt Service Coverage Ratios					
Senior Revenue Bonds					
Pledged Revenues	474,239	508,209	510,798		
Debt Service	133,718	145,099	149,569		
Coverage	3.55 x	3.50 x	3.42 x		
Subordinate Revenue Bonds					
Pledged Revenues	476,339	514,159	513,765		
Debt Service	267,035	275,813	285,229		
Coverage	1.78 x	1.86 x	1.80 x		
Subordinate Special Revenue Bonds					
Pledged Revenues	476,452	514,539	517,714		
Debt Service	268,576	285,876	298,676		
Coverage	1.77 x	1.80 x	1.72 x		

Note: Pledged revenues include net revenues and debt service reserve fund interest earnings attributable to each lien

Projected operating expenses increased an estimated 2.6% over fiscal 2011 and are 3.9% below Commission's budget primarily due to the effects of favorable winter weather conditions that reduced needs for labor and materials for treating and clearing the Turnpike and continued cost containment measures. Debt service coverage ratios were higher than last year's plan due to the combination of lower operating expenses and debt service expense which was attributable to an overall favorable interest rate environment.

Turnpike capital outlays are estimated at $425.2 million for fiscal 2012, which is 20.5% lower than the prior fiscal year's plan. Lower than expected capital expenses were due to a combination of more favorable construction bids and longer than planned project schedules. Major initiatives undertaken include:

- Highway improvements encompass the design and reconstruction of the Turnpike Mainline and addition of a third lane in all reconstruction activities. To date, PTC has completed reconstruction of 87 miles of the Mainline with most of these sections widened to six lanes. Approximately another 21 miles are currently in construction.

- Bridge projects are focused on the rehabilitation or replacement of bridges that are classified as structurally deficient. While this measure is an indication of a bridge's structural soundness it does not imply the facility is unsafe. Of the 69 bridges identified as structurally deficient eight are currently being replaced or repaired and another 45 are in the design phase for replacement or repair.

- Equipment and facilities improvements including repair and replacement of maintenance facilities and redevelopment of service plazas.

- The fleet program includes the purchase of rolling stock to insure adequate maintenance of the roadway system.

- Information technology include an ongoing effort to replace PTC's existing, business enterprise systems with an integrated system for the Commission's financial and administrative business functions.

Act 44 Activities

Exhibit 3 shows that the Commission met its fiscal 2012 Act 44 obligations through the issuance of Subordinate Revenue Bonds and Subordinate Special Revenue Bonds. Of the $450 million in Act 44 payments made, $200 million was for roads and bridges projects and $250 million for public transit operations. PTC made quarterly payments of $112.5 million on July 28, 2011, October 31, 2011, January 30, 2012 and April 27, 2012.

After meeting Turnpike and Act 44 obligations, the Commission's General Reserve Fund ending balance is estimated to be $265 million, 75.4% higher than fiscal 2011 and slightly greater than the amount projected in last year's plan.

Exhibit 3

Fiscal 2012 Estimated Act 44 Payments Compared to Last Year's Financial Plan

($000) Fiscal Year End 5/31

		2012 Financial Plan			
	2011	Current Estimate	Prior Plan	% Diff 2011	% Diff Prior Plan
Act 44 Payment Funds					
Turnpike Net Income Before Act 44 Payments	75,203	184,703	179,442	145.6%	2.9%
Tax-Exempt Subordinate Bond Proceeds	250,000	250,000	250,000	0.0%	0.0%
Taxable Subordinate Bond Proceeds	-	-	-		
Subordinate Special Revenue Bond Proceeds	200,000	200,000	200,000	0.0%	0.0%
Act 44 Payments					
Roads & Bridges Payments	200,000	200,000	200,000	0.0%	0.0%
Roads & Bridges Total Sources	200,000	200,000	200,000	0.0%	0.0%
Tax-Exempt Subordinate Bond Proceeds	-	-	-		
Subordinate Special Revenue Bond Proceeds	200,000	200,000	200,000	0.0%	0.0%
Transit Operations Payments	250,000	250,000	250,000	0.0%	0.0%
Transit Operations Total Sources	250,000	250,000	250,000	0.0%	0.0%
Turnpike Cash	-	-	-		
Tax-Exempt Subordinate Bond Proceeds	250,000	250,000	250,000	0.0%	0.0%
Taxable Subordinate Bond Proceeds	-	-	-		
Total Act 44 Payments	450,000	450,000	450,000	0.0%	0.0%
Total Act 44 Sources	450,000	450,000	450,000	0.0%	0.0%
Remaining Turnpike Cash	75,203	184,703	179,442	145.6%	2.9%
General Reserve Fund/Liquidity Requirement	151,066	265,000	261,612	75.4%	1.3%

Planning Activities

CDM Smith, PTC's traffic and revenue consultant, updated its traffic and revenue forecast for the Turnpike in March 2012 to account for the annual toll increases implemented between 2009 and 2012, planned additional increases and projected economic conditions. On-going cost containment measures have allowed the Commission to cap annual expense growth below the 4% target, excluding the positive budgetary effects of warmer winter weather conditions. As the Commission is progressing with its $7.0 billion enhanced ten-year Turnpike capital plan, the PTC continues to examine strategies to reduce project costs, take advantage of favorable construction bidding conditions and prioritize initiatives so that the most critical projects are pursued in the near term.

Challenges

While PTC has achieved a number of important accomplishments since the passage of Act 44, the Commission is facing a number of challenges as it undertakes its responsibilities. Specifically, these challenges center on managing increasing obligations while maintaining financial flexibility and navigating a still uncertain economic environment.

Managing Increasing Obligations

PTC's expanded mandate under Act 44 means the Commission has taken on greater financial responsibilities to help fund the Commonwealth's highway, bridge and transit needs. To date, the Commission has met its Act 44 obligations through the issuance of Subordinate and Subordinate Special

Revenue Bonds with $3.9 billion currently outstanding and expects to continue to debt finance a siginificant portion of these commitments over an extended period. The PTC also has a well-established track record of executing large capital initiatives while maintaining financial flexibility.

Moody's, Standard and Poor's and Fitch affirmed their 'Aa3', 'A+', and 'A+' ratings on the Senior Revenue Bonds in fiscal 2012. Moody's assigned a Negative Outlook to its 'Aa3' rating on the Senior Bonds in 2011 and has maintained a Negative Outlook on its 'A3' rating for the Subordinate Bonds since 2010 based on the potential risks of higher than expected toll increases to maintain targeted debt service coverage, and uncertainty that the Commission could be called upon to provide increased funding support, though Moody's notes this is increasingly unlikely. Nevertheless Standard and Poor's and Fitch have each maintained a Stable Outlook on their 'A+' ratings on the Senior Bonds and their 'A-' ratings on the Subordinate Bonds. The ratings on the Senior and Subordinate Bonds consider the strength of the travel market served by the Turnpike, its well managed financial operations, and strong debt service coverage. Key credit concerns center on the Commission's Act 44 and ten-year capital plan obligations, growing debt and potential for declining debt service coverage.

Additionally Moody's and Fitch have assigned their 'Aa3' and 'AA' ratings to the Commission's Subordinate Special Revenue Bonds based on the economic strength of the Turnpike and the back-up pledge of the Commonwealth's Motor License Fund. Moody's maintains a Negative Outlook on the bonds, while Fitch has a Stable Outlook, reflecting each agency's view of the Commonwealth's credit quality.

To meet the challenges of managing increasing financial obligations, the PTC has a financial planning process to track toll revenues and develop financing strategies to meet the Commission's ongoing Turnpike and Act 44 obligations while maintaining sufficient fund balances that provide internal liquidity to meet unexpected short term needs. As part of this effort, PTC projects and refines Turnpike capital and operating needs and cost efficiency measures to ensure its toll facility is functioning in a state of good repair in the most cost-effective manner possible. This financial plan represents the PTC's fifth annual report of this effort. During the course of the year, PTC will track its performance relative to the financial plan. As needed, PTC will adjust its operations to meet the financial plan's objectives. In the event of unforeseen circumstances that hinder the Commission's ability to comply with its Act 44 commitments, PTC may need to adjust the assumptions of the financial plan and will provide the revised plan to the Secretary of the Budget. In addition, as required by Act 44 and reflecting good financial planning practices, the PTC will update its financial plan each year as part of its June 1 submission to the Secretary of the Budget, identifying how actual results varied from plan assumptions and identifying necessary revisions and updates based on the prior year outcomes.

IV. Strategies, Policies and Covenants to Maintain Financial Flexibility

Strategies, Policies and Covenants to Maintain Financial Flexibility

The Commission has established strategies to meet its Turnpike and Act 44 obligations in a financially prudent manner. PTC carries out these strategies in accordance with the provisions of Act 44, under the covenants it has entered into with bondholders in the Commission's trust indentures, and through the internal financial management policies it has adopted.

Covenants with Bondholders

PTC's Senior Revenue Bond and Subordinate Revenue Bond indentures feature covenants to bondholders that are based on the need to preserve the Commission's financial flexibility and to provide investors with sufficient security. Key covenants include the pledge of revenues, flow of funds, rate covenant, additional bonds test and maintenance of reserves.

Pledge of Revenues

PTC toll and other operating revenues are first used to pay Turnpike operating and maintenance expenses. This is the typical approach used in toll road financing where both the toll road operator and its investors want to ensure there are sufficient revenues to meet ongoing operating needs so that it can generate the necessary resources to cover debt service and other obligations. Debt service on the PTC's Senior Revenue Bonds is secured by toll and other operating revenues after payment of operations and maintenance expenses, i.e. net revenues. Subordinate Revenue Bond investors are paid after the Senior Revenue Bonds, while Subordinate Special Revenue Bonds are secured on a junior basis to the Subordinate Revenue Bonds. The General Assembly, in adopting Act 44, established this subordinate payment structure to ensure sufficient revenues are available first to meet the needs of the Turnpike's debt service, capital reinvestment and reserve needs before payments to PennDOT are made.

Flow of Funds

All revenues of the Commission are deposited daily into its Revenue Fund. On or before the last business day of the month, an amount equal to the following month's operating and maintenance expenses is transferred into the Operating Account. After meeting the Operating Account requirement, the Commission transfers an amount equal to that month's accrued interest and principal requirement into the Senior Revenue Bonds Debt Service Fund. Remaining amounts are paid into the Reserve Maintenance Fund equal to the amount required for the following month defined in the Commission's annual capital budget, into the Senior Revenue Bond Debt Service Reserve Fund to restore a deficiency, if any, within 18 months, with the remaining surplus deposited into the General Reserve Fund. Balances in the General Reserve Fund are available to pay PTC subordinate debt, optionally redeem bonds, fund capital improvements or be applied for any other authorized Commission purposes.

Amounts on deposit in the General Reserve Fund are first applied toward payments to meet administrative expenses. Each month an amount equal to 115% of one-sixth of the next interest payment and one-twelfth of the next principal payment is paid into the Debt Service Fund for the Subordinate Revenue Bonds. After meeting this requirement the Subordinate Indenture requires an amount equal to one-sixth of the next interest payment and one-twelfth of the next principal payment be paid into the Subordinate Special Revenue Bond Debt Service Fund. Funds are then deposited to make up any deficiencies in the debt service reserve funds for the Subordinate Bonds, the Special Revenue Bonds Funded Debt Service Sub Account, or to repay PennDOT for any draws on the Motor License Fund. The remainder is deposited into the Residual Fund which may be used for any authorized Commission purposes.

Rate Covenant

PTC has covenanted with bondholders to set tolls so that pledged revenues cover debt service by at least the following amounts:

- Net revenues cover the greater of 1.30x Senior Revenue Bond debt service or 1.00x the sum of Senior Revenue Bond maximum annual debt service, deposits into the Reserve Maintenance Fund and amounts necessary, if required, to restore a deficiency in the Debt Service Reserve Fund. In addition, net revenues must be sufficient to cover any short term indebtedness outstanding for 365 consecutive days.

- Commission payments out of the General Reserve Fund are required to be at least 1.15x annual debt service on Subordinate Revenue Bonds, 1.00x annual debt service on the Subordinate Special Revenue Bonds and amounts, if required, to restore a deficiency in the Subordinate Debt Service Reserve Fund.

While the rate covenant provides an important level of protection to bondholders, the PTC has typically maintained much higher coverage levels than the legal threshold--in excess of 2.0x on its Senior Revenue Bonds, 1.30x on combined Senior and Subordinate Revenue Bond debt service and 1.20x on debt service across all three liens. This commitment and established track record of maintaining strong debt service coverage is a key factor that drives the Commission's ratings. It also provides the PTC greater financial flexibility in the event it needs to deal with unexpected financial circumstances. While the Commission would be complying with its commitment to bondholders if it allowed its debt service coverage ratios to decline to the minimum rate covenant requirements, such coverage levels would likely result in a downgrade of the PTC's debt, increasing its borrowing costs and limiting its financial flexibility.

Additional Bonds Test

To manage leverage, the Commission has established the following debt service coverage tests for incurring additional indebtedness:

- Issuance of additional Senior Revenue Bonds requires that debt service coverage was at least 1.75x for the prior fiscal year or debt service coverage was at least 1.30x maximum annual debt service including proposed issuance, and that projected debt service coverage for the two fiscal years following the end of capitalized interest is at least 1.30x.

- Debt service coverage provided by Commission Payments for the prior fiscal year was at least 1.15x Subordinate Revenue Bond debt service and 1.00x Subordinate Special Revenue Bond debt service or projected debt service coverage for the next two fiscal years after the end of a capitalized interest period is at least equal to 1.10x on combined Subordinate Revenue Bond and Subordinate Special Revenue Bond debt service. In addition, Act 44 and the Funding Agreement include further limits on Subordinate Special Revenue Bonds where no more than $5 billion may be issued in total, with no more than $600 million issued annually.

Reserve Funds

PTC has the option to provide added protection to bondholders by offering a debt service reserve fund which provides liquidity in the event of unforeseen short term circumstances that result in lower than expected revenues or higher than expected expenses that could adversely impact the Commission's ability pay its debt service obligations. Variable rate Senior Revenue Bonds are not secured by a debt service reserve fund. Senior Revenue Bonds debt service reserve funds are funded at maximum annual debt service. The Subordinate Revenue Bonds debt service reserve fund requirement is based upon a standard test to satisfy Internal Revenue Service arbitrage requirements equal to the lesser of 10% of proceeds, maximum annual debt service or 125% of average annual debt service. Additionally, the Subordinate Special Revenue Bonds are secured by a Debt Service Sub-Account equal to one half maximum annual debt service. Given the strong coverage levels the Commission has achieved and plans to maintain, there is a low likelihood that such funds would be drawn upon.

Operations, Maintenance and Capital Improvements

The Commission commits to an inspection of the Turnpike every three years by an independent engineering consultant to determine whether it is maintained in a state of good repair and to make recommendations for revisions or additions to the Commission's capital improvement program. On or before May 31st of each year the Commission will adopt an annual operating budget. Prior to adopting the budget, the Commission will provide it to a consulting engineer to provide comments on the proposed budget. At the same time the Commission adopts its annual budget, it will also approve a capital budget that establishes its capital improvement program for the next ten years. Similar to the operating budget, the capital budget is provided to the consulting engineer for review and comment.

Financial Management Policies

PTC has established financial management policies that guide the Commission's prudent use of debt and derivatives to mitigate risk, and to ensure the maintenance of adequate fund balances and proper investment of available funds. The following summarizes the Commission's financial management policies, while the Appendix contains a copy of each policy.

Debt Policy

The purpose of the Commission's debt policy is (i) to establish sound, prudent and appropriate parameters; (ii) to provide guidance governing the issuance, management, continuing evaluation of and reporting on all debt obligations issued by the PTC; and (iii) to take the steps necessary to assure compliance and conformity with this policy. The Commission recognizes the importance and value of the continued creditworthiness and marketability of its bonds, and this policy is intended to ensure that any and all potential debt structures comply with all applicable laws and regulations, as well as sound financial principles.

Historically, the Commission has limited long-term borrowing to fund Turnpike capital improvements, projects, or equipment that cannot be financed from current financial resources. In an effort to maximize capital funding availability, the Commission has utilized a reasonable mix of borrowing and pay-as-you-go funding, and intends to do so in the future.

The Commission does not fund Turnpike current operations or normal maintenance from the proceeds of long-term borrowing. However, Act 44 mandated that the Commission makes large transfers to PennDOT for among other things operating subsidies to Pennsylvania's transit agencies. Over time, it is anticipated that excess revenues from the Turnpike could fund a majority of these transfers. But, for the foreseeable future, these payment levels will exceed the cash resources of the Commission and will need to be financed with Subordinate Revenue Bonds and Subordinate Special Revenue Bonds. However, the Commission's strategy of phased debt issuance over time mitigates the financial impact.

The Commission seeks to attain bond ratings so borrowing costs are minimized and access to credit is preserved. The Commission understands the importance of demonstrating to rating agencies, investment bankers, creditors and users of the Turnpike that it is following a prescribed financial plan and adhering to sound financial policy. The Commission follows a practice of full disclosure by regularly communicating with bond rating agencies and the Municipal Securities Rulemaking Board's EMMA system to inform them of the Commission's current financial condition and future financial outlook.

PTC uses the following ratios, measures and constraints to guide its issuance and administration of debt obligations:

- **Purpose:** Debt is issued for acquiring, constructing, reconstructing or renovating capital improvements, for refinancing existing debt obligations. In addition PTC issues debt to finance Act 44 payments.

- **Maximum Maturity:** All debt obligations shall have a maximum maturity of the earlier of: (i) the estimated useful life of the Capital Improvements being financed; or, (ii) thirty years (unless a longer term is recommended by external advisors): or, (iii), in the event they are being issued to refinance outstanding debt obligations, the final maturity of the existing debt obligations being refinanced, or the latest estimate of the useful life of the capital improvements originally financed with the refunded bonds. Given PTC's added obligations under Act 44, the Commission will issue debt with up to a 40 year term as permitted under its statute in order to maintain cash flow flexibility, if market conditions are favorable.

- **Annual Debt Service:** The Commission will strive to structure debt issues to maintain a level or declining overall annual debt service structure. To meet Act 44 obligations, PTC will utilize debt with some escalation in annual debt service to maintain cash flow flexibility and to keep it in line with expected revenue growth.

- **Variable Rate Debt:** The Commission will strive to maintain unhedged variable rate debt levels no greater than 25% of its total outstanding debt. On a periodic basis the Commission will reassess its acceptable level of variable rate debt in order to maintain a relative balance that mitigates potential long-term interest rate risk exposure under conditions of either rising or declining market interest rates.

- **Present Value Savings:** The Commission will continually monitor its outstanding debt for the purpose of determining if existing financial marketplace conditions afford the Commission the opportunity to refund existing issues and lessen debt service costs. In order to consider and favorably recommend the possible refunding of an issue, the Commission will generally look to attain at least a minimum acceptable threshold level of net Present Value ("PV") savings over the life of the respective issue.

- **Bond Covenants and Laws:** The Commission will comply with all covenants and requirements of the bond resolutions, and state and federal laws authorizing and governing the issuance and administration of debt obligations, including its rate covenant and additional bonds test. Further, the Commission will consult with bond counsel regarding any such legal issues.

Swap Policy

The Commission's Swap Policy establishes guidelines for the use and management of all interest rate management agreements, including interest rate swaps, swap options, caps, collars and floors (collectively "Swaps" or "Agreements") incurred in connection with the issuance of debt.

The Swap Policy authorizes the Commission to use Swaps to hedge interest rate movement, basis risk and other risks, to lock-in a fixed rate or, alternatively, to create synthetic variable rate debt. Swaps may also be used to produce interest rate savings, limit or hedge variable rate payments, alter the pattern of debt service payments, manage exposure to changing market conditions in advance of anticipated bond issues (through the use of anticipatory hedging instruments) or for asset/liability matching purposes. Key elements of the Swap Policy include the following:

- **Swap Counterparties – Credit Criteria:** The Commission will make its best efforts to contract with qualified Swap counterparties that have a general credit rating of: (i) at least "A3" or "A-" by two of the nationally recognized rating agencies and no lower than "A3" or "A" by any nationally recognized rating agency, or (ii) have a "non-terminating" "AAA" subsidiary as rated by at least one nationally recognized credit rating agency.

- **Term and Notional Amount:** For Swaps tied to an issued series of bonds, the term of the Swap agreement shall not extend beyond the final maturity date of the related bonds. The total net notional amount of all Swaps related to a bond issue should not exceed the amount of outstanding bonds. In calculating the net notional amount, netting credit shall be given to any Swaps that offset each other for a specific bond transaction.

- **Security and Source of Repayment:** The Commission may use the same security and source of repayment (pledged revenues) for Swaps as is used for the bonds that are hedged by the Swap, if any, but shall consider the economic costs and benefits of subordinating the Commission's payments and/or termination payment under the Swap. The Commission shall consult with bond counsel regarding the legal requirements associated with making the payments under the Swap on a parity or non-parity basis with outstanding Commission debt.

- **Prohibited Agreements:** The Commission will not use Agreements that:
  - Are speculative or create extraordinary leverage as risk;
  - Lack adequate liquidity to terminate without incurring a significant bid/ask spread;
  - Provide insufficient price transparency to allow reasonable valuation.

- **Annual Swap Report:** The Commission's Chief Financial Officer, in consultation with the Commission's financial advisor, swap advisor and bond counsel, will evaluate the risks associated with outstanding Swaps at least annually and provide to the Senior Executives and the Commissioners a written report of the findings based upon criteria set forth in the Swap Policy.

Liquidity Standard Policy

The purpose of this policy is to ensure that the PTC will maintain minimum annual year-end fund balances for the ongoing level of uncommitted reserves necessary for the Commission to secure and protect its long-term debt. Pursuant to the policy, the PTC will budget and maintain a cumulative fund balance, including cash balances in the Reserve Maintenance Fund and the General Reserve Fund, equal to the greater of either the maximum annual debt service on all bonds not secured by a Debt Service Reserve Fund or 10% of annual budgeted revenues.

Investment Policy and Guidelines

PTC's Investment Policy and Guidelines govern the Commission's investment of cash assets. Investment objectives are centered on the safety and preservation of invested funds, maintenance of adequate liquidity to meet Commission cash flow requirements, maximizing the total rate of return and providing preference to Pennsylvania investments when the return on investment is no less than a non-Pennsylvania investment. The policy defines eligible securities and requirements for diversification of investments to provide for safety and preservation of funds.

All investments are made with judgment and care, not for speculation, considering the probable safety of capital as well as the probable income to be derived. At the time of purchase, the maturity of each security in the portfolio may not exceed five years and portfolio managers shall adhere to a semi-active portfolio management strategy.

All investment ratings shall be based on the security ratings at the time of purchase. In the event of a rating downgrade, the portfolio manager is to discuss such downgrade with the Chief Financial Officer with a recommendation on whether to sell or hold. The portfolio's average credit quality should be rated Aa3/AA- or better by Moody's and Standard and Poor's. Portfolio performance is reported each quarter. The quarterly reports describe investment performance, conformity with the policy, status of the portfolio and transactions made over the reporting period.

V. Fiscal 2013 Financial Plan

Fiscal 2013 Financial Plan

PTC's fiscal 2013 financial plan defines the reasonably expected revenues the Commission will generate necessary to meet required Turnpike operating and maintenance expenses, debt service payments, capital expenses, Act 44 payment obligations and liquidity requirements. Exhibits 4 and 5 show the Commission's financial plan for the ensuing fiscal year.

Exhibit 4
Projected Fiscal 2013 Financial Plan
($000) Fiscal Year End 5/31

	2012	2013
Turnpike Operating Income		
Gross Toll Revenues	779,340	820,715
Gross Non-Toll Revenues	23,628	21,061
Gross Operating Revenues	802,968	841,776
Operating Expense	303,300	326,679
Interest Income	8,541	5,415
Net Turnpike Revenues	508,209	520,512
Turnpike Senior Revenue Bonds Debt Service	145,099	148,220
Net Income Before Capital Expense and General Reserve	363,110	372,293
Turnpike Working Capital		
Cash Beginning Balance	75,203	184,703
Construction Fund Beginning Balance	454,561	114,430
Newly Sized Senior Bond Proceeds	-	345,758
Previously Unused Senior Bond Proceeds Used	340,131	114,430
Current Senior Bond Proceeds Used	-	345,758
Construction Fund Ending Balance	114,430	-
Net Earnings	363,110	372,293
Capital Expenditure	425,164	575,234
PAYGO	85,033	115,047
Federal Fund Reim.	9,237	12,200
Capital Expenditure Reconciliation	(38,934)	-
Liquidity Requirement	80,297	84,178
Liquidity Requirement Cashflow Set-aside	4,433	3,881
Tax-Exempt Subordinate Bonds Debt Service	118,274	147,400
Taxable Subordinate Bonds Debt Service	12,440	12,428
Subordinate Special Revenue Bonds Debt Service	10,063	23,592
Subordinate and Sub Special Rev DSRF Earnings	6,330	4,092
Net Funds Remaining Before Act 44 Payments	184,703	270,940
Debt Service Coverage Ratios		
Senior Revenue Bonds		
Pledged Revenues	508,209	520,512
Debt Service	145,099	148,220
Coverage	3.50 x	3.51 x
Subordinate Revenue Bonds		
Pledged Revenues	514,159	524,270
Debt Service	275,813	308,047
Coverage	1.86 x	1.70 x
Subordinate Special Revenue Bonds		
Pledged Revenues	514,539	524,604
Debt Service	285,876	331,640
Coverage	1.80 x	1.58 x

Note: Pledged revenues include net revenues and debt service reserve fund interest earnings attributable to each lien

Exhibit 5
Projected Fiscal 2013 Financial Plan
($000) Fiscal Year End 5/31

	2012	2013
Act 44 Payment Funds		
Turnpike Net Income Before Act 44 Payments	184,703	270,940
Tax-Exempt Subordinate Bond Proceeds	250,000	200,000
Taxable Subordinate Bond Proceeds	-	-
Subordinate Special Revenue Bond Proceeds	200,000	200,000
Act 44 Payments		
Roads & Bridges Payments	200,000	200,000
Roads & Bridges Total Sources	200,000	200,000
Tax-Exempt Subordinate Bond Proceeds	-	-
Turnpike Cash	-	-
Subordinate Special Revenue Bond Proceeds	200,000	200,000
Transit Operations Payments	250,000	250,000
Transit Operations Total Sources	250,000	250,000
Turnpike Cash	-	50,000
Tax-Exempt Subordinate Bond Proceeds	250,000	200,000
Taxable Subordinate Bond Proceeds	-	-
Total Act 44 Payments	450,000	450,000
Total Act 44 Sources	450,000	450,000
Remaining Turnpike Cash	184,703	220,940
General Reserve Fund/Liquidity Requirement	265,000	305,118

The fiscal 2013 financial plan was developed based on the following assumptions.

Estimated Toll Rates, Tolls and Other Revenues

Fiscal 2013 toll revenues reflect the full year impact of the toll increase implemented on January 2012 and a partial year impact of a planned adjustment yielding an average toll rate increase of 3% scheduled for January 2013. Toll revenues are projected to increase by 5.3% to $820.7 million in fiscal 2013, consistent with the Commission's March 2012 traffic and revenue forecast. Other PTC revenues, primarily consisting of concession income and transponder fees, are projected to decline by 11% to $21.1 million. As a result, total operating revenues are projected to grow by 4.8% in fiscal 2013 to $841.8 million. Interest income is projected to be $5.4 million. Reflecting CDM Smith's assumptions for a slower pace of economic growth, fiscal 2013 toll revenues are 4.4% lower than last year's plan.

Operating, Capital and Other Expenditures

PTC has budgeted operating and maintenance expenses of $326.7 million for fiscal 2013, 0.9% below levels assumed in last year's plan. Although fiscal 2013 operating expenses are projected to be 7.7% higher than fiscal 2012, the projected increase compared to the fiscal 2012 budget, which excludes the cost savings due to favorable winter weather, is 3.5%. Capital expenditures are budgeted to be $575.2

million – 3.1% higher than last year's financial plan, reflecting the rollover of certain fiscal 2012 capital projects into fiscal 2013.

Senior Revenue Bond debt service payments on the Commission's bonds for fiscal 2013 are projected to be $148.2 million. Combined Subordinate Revenue Bond and Subordinate Special Revenue Bond debt service is estimated to equal $183.4 million. Compared to last year's financial plan total debt service costs are expected to be 1.2% lower.

It should be mentioned that budgeted debt service does not include payments on $786.1 million in separately secured Oil Company Franchise Tax Revenue Bonds and $430.0 million in separately secured Registration Fee Revenue Bonds issued to finance the costs of the Mon/Fayette and Southern Beltway projects. Principal and interest on these bonds are not paid by the PTC's toll revenues and are only obligations of the taxes and fees allocated by the Commonwealth to pay debt service on these bonds. Similarly, the capital needs for the Mon/Fayette and Southern Beltway, which are assumed to be funded with non-Turnpike sources, are not reflected in the financial plan.

In addition to PTC's Turnpike operation, maintenance and capital initiatives, Act 44 commitments represent the Commission's largest obligation for fiscal 2013. Pursuant to Act 44 and the Funding Agreement, PTC will provide a total of $450 million in funding, consisting of $200 million in contributions to the Motor License Fund for highway and bridge capital needs and $250 million to the Public Transportation Trust Fund for transit operating needs.

Planned Borrowings

To meet its fiscal 2013 capital expenditures, PTC expects to issue $388.9 million in Senior Revenue Bonds. Act 44 obligations are expected to be funded by $50 million in available cash from the General Reserve Fund and the issuance of $168 million in Subordinate Revenue Bonds and $161.2 million in Subordinate Special Revenue Bonds for the October 2012, January 2013 and April 2013 Act 44 payments. The July 2012 payment was funded with a portion of the proceeds of the $123.5 million Subordinate Revenue Bonds Series A of 2012 and the $94.9 million Subordinate Special Revenue Bonds Series A of 2012. The Commission also expects to issue bonds to refund $69.5 million of its Series C of 2009 and Series D of 2011 Variable Rate Senior Bonds and depending upon market conditions, may refund additional outstanding debt for savings.

As part of the structuring of these bonds, PFM assumed Senior Revenue, Subordinate Revenue and Subordinate Special Revenue Bonds reflect a mix of current interest bonds and capital appreciation bonds in order to maintain desired debt service coverage levels, conserve debt capacity and facilitate market acceptance for the Commission's securities. The bonds are assumed to have a 30 year term. Based on current market conditions, the following interest rates are assumed:

- Senior Revenue Bonds have an interest rate equal to the 'AAA' MMD Index plus 90 basis points for current interest bonds and 165 basis points for capital appreciation bonds.

- Subordinate Revenue Bonds have an interest rate equal to the 'AAA' MMD Index plus 115 basis points for current interest bonds and 190 basis points for capital appreciation bonds.

- Subordinate Special Revenue Bonds have an interest rate equal to the 'AAA' MMD Index plus 70 basis points for current interest bonds and 145 basis points for capital appreciation bonds.

Based on the above assumptions for revenues, operations and maintenance expense and debt service, fiscal 2013 debt service coverage of the Commission's Senior Revenue Bonds is expected to be 3.51x, 1.70x on the Subordinate Revenue Bonds and 1.58x on the Subordinate Special Revenue bonds.

General Reserve Fund Requirements and Balance

In compliance with PTC's Liquidity Standard Policy, the financial plan assumes that Commission retains a liquidity balance equal to at least 10% of annual budgeted revenues. Even after applying $50 million in available funds towards its Act 44 payments, PTC expects to exceed this requirement with an ending balance of $305.1 million, which includes an $84.4 million liquidity level set aside in the General Reserve Fund.

VI. Long-Range Financial Plan

Long-Range Financial Plan

In addition to the fiscal 2013 financial plan, PTC has prepared a multi-year plan to meet Act 44 and Funding Agreement requirements such that the financial plan shall demonstrate that the operation of the Commission in accordance therewith can reasonably be anticipated to result in the Commission having funds during the ensuing future fiscal years to make the payments due to the Department after all other obligations of the Commission have been met. This section defines the assumptions and results of the PTC's Act 44 long-range financial plan to identify how the Commission can meet annual Turnpike and Act 44 obligations during the course of the Funding Agreement, through fiscal 2057. Given the inherent uncertainties associated with long-range financial projections, the Commission recognizes the inevitability of needing to make substantial modifications to the financial plan over the course of the next five decades. Nevertheless, the Commission has developed a set of assumptions based on today's conditions that it believes are a reasonable basis for preparing a long-range financial plan, as required under Act 44.

PTC's multi-year financial plan reflects several key factors:

- The Commission's assumptions and expectations reflecting the long-term traffic and revenue performance of the Turnpike.
- The Commission's goals to contain operating and maintenance expense growth.
- The Turnpike's capital needs under its near to medium term enhanced ten-year capital program and a sustained level of spending thereafter adjusted for inflation.
- Required base payments under Act 44 of $450 million annually.
- The mix of debt and pay-as-you-go financing to meet Turnpike and Act 44 needs and maintenance of required liquidity levels.

Toll Revenues

The long range financial plan reflects the Commission's commitment to operate and maintain its toll facilities, support a Turnpike capital investment program at levels consistent with the ten year plan and spending levels adjusted for inflation, and fully fund its Act 44 obligations. At the same time the financial plan assumes the Commission will maintain debt service coverage ratios of at least 2.0x on annual debt service for its Turnpike Senior Revenue Bonds, 1.30x on combined debt service for its Turnpike Senior Revenue and Subordinate Revenue Bonds and 1.20x coverage across all three liens including the Senior, Subordinate and Subordinate Special Revenue Bonds. In addition, a liquidity level at least equal to 10% of operating revenues is assumed to be maintained for the Turnpike.

These coverage and liquidity targets reflect the Commission's goal to maintain financial flexibility consistent with its credit ratings. To meet these operating, capital and Act 44 obligations and maintain these coverage and liquidity ratios, the financial plan assumes Turnpike traffic and toll rates will increase at levels sufficient to comply with these parameters. As part of the Act 44 financial planning process, the Commission will annually review underlying economic conditions and traffic in order to establish toll rates to meet its goals.

Operations and Maintenance Expenses

Projected operating expenses are based on PTC's goal to contain annual operations and maintenance cost growth to 4% annually. In addition to operating the Turnpike, these expenses include pension contributions as required by the State Employees Retirement System and funding OPEB obligations.

Capital Expenses

The financial plan assumes the completion of the Turnpike's $7.0 billion ten year enhanced capital plan by fiscal 2022. It is important to note that the Commission will need to continue to carefully balance the Turnpike's capital needs with its Act 44 commitments over the course of the financial plan period.

Although the PTC is undertaking a significant investment to rebuild and rehabilitate Turnpike capital assets over the next ten years, there will be on-going capital needs to maintain the facility in a state of good repair. *After the completion of the ten year capital plan, the financial plan assumes a sustained level of capital investment comparable to the ten-year program.* In fiscal 2023 Turnpike capital expenditures equal $691.6 million, a 4% increase over the prior year. Thereafter, capital expenses grow by 4% annually throughout the term of financial plan. This strategy is consistent with last year's financial plan.

Act 44 Payment Obligations

PTC will meet its Act 44 payment obligations of $450 million annually, consisting of $200 million for highways and bridges and $250 million for transit operations.

Financing Guidelines

The following guidelines were used to develop the financing strategy for the financial plan:

- Turnpike financial obligations are accounted for separately to clearly define the flow of Turnpike resources to Turnpike operating expenses, capital expenses, debt service and Act 44 payment obligations.

- Senior Revenue Bonds secured by the net revenues of the Turnpike finance Turnpike capital improvements. Senior Revenue Bonds are assumed to fund up to 80% of each year's Turnpike capital outlays. This level of debt financing is assumed in order to conserve surplus cash flow and reduce the need for taxable Subordinate Revenue Bond borrowing. It is important to note that the amount of debt to finance Turnpike capital needs is reduced in later years, as surplus cash flow increases can support a pay-as-you-go program to fund Act 44 obligations.

- The Senior Revenue Bonds reflect the following structural assumptions:
    - Base rates reflect the ten year average for 'AAA' MMD rates.
    - To account for the tax exempt Senior Revenue Bonds credit spread over 'AAA' MMD rates, an additional 90 basis points is assumed for current interest bonds and 165 basis

points for capital appreciation bonds. The Senior Revenue Bonds are assumed to be uninsured.
  - The Senior Revenue Bonds feature a debt service reserve fund equal to maximum annual debt service, but no greater than 10% of proceeds in order to comply with IRS tax exempt requirements.
  - Issuance costs include $11 per $1000 of par for underwriting and other issuance expenses.
  - A mix of current interest bonds and capital appreciation bonds are assumed for each issuance.
  - The debt structure assumes bonds are issued at par—that is, no discount or premium bonds are assumed. Annual debt service escalates relative to the projected growth in net revenues for bonds issued through 2034. Beginning in fiscal 2035, a level debt structure is assumed.
  - The bonds amortize over a 40 year term, consistent with the expected long useful life of the assets being financed.
  - A minimum debt service coverage ratio of at least 2.00x is assumed in order to maintain financial flexibility, provide resources for pay-as-you-go capital, meet liquidity requirements and retain mid-investment grade ratings to ensure broad market access.

- Contributions from the Turnpike General Reserve Fund can be used to meet both Act 44 Motor License Fund highway and bridge payment obligations and Public Transportation Trust Fund transit operation payment obligations.

- After meeting the Turnpike General Reserve Fund policy where the balance equals at least 10% of that fiscal year's revenues, all remaining revenues are used for Act 44 purposes, either directly (through pay-as-you-go contributions) or indirectly (through debt service payments on Subordinate Revenue Bonds and Subordinate Special Revenue Bonds).

- The Subordinate Revenue Bonds reflect the following structural features:
  - Base rates reflect the ten year average for 'AAA' MMD rates for tax exempt bonds and the ten year average for ten year Treasuries for taxable bonds.
  - To account for the tax exempt Subordinate Revenue Bonds' credit spread over 'AAA' MMD rates, an additional 115 basis points is assumed for current interest bonds and 190 basis points for capital appreciation bonds. The tax exempt Subordinate Revenue Bonds are assumed to be uninsured.
  - Taxable Subordinate Revenue Bonds reflect a credit spread of 225 basis points over Treasuries and are not insured.
  - The Subordinate Revenue Bonds feature a debt service reserve fund equal to the lesser of 10% of initial principal, 125% of average annual debt service or maximum annual debt service.
  - Issuance costs include $11 per $1000 of par for cost of underwriting and issuance.
  - A mix of current interest bonds and capital appreciation bonds are assumed for the tax exempt bonds. Taxable bonds reflect a term bond structure.

- The debt structure assumes bonds are issued at par (i.e., no discount or premium bonds are assumed). Annual debt service escalates somewhat relative to the projected growth in net revenues.
- Tax exempt Subordinate Revenue Bonds have a 40 year amortization, while taxable Subordinate Revenue Bonds have a 20-year term reflecting a strategy to pay off this higher cost debt in as short a period as possible.
- Debt service coverage provided by net revenues is targeted to be at least 1.30x for combined Senior Revenue Bond and Subordinate Revenue Bond debt service in order to maintain financial flexibility.

- The Subordinate Special Revenue Bonds incorporate the following structural features:
  - Base rates reflect the ten year average for 'AAA' MMD rates.
  - The credit spread over 'AAA' MMD rates is based on an additional 70 basis points for current interest bonds and 145 basis points for capital appreciation bonds. The Bonds are assumed to be uninsured.
  - The Bonds include a Debt Service Sub Account funded at one half maximum annual debt service.
  - Issuance costs include $11 per $1000 of par for cost of underwriting and issuance.
  - A mix of current interest bonds and capital appreciation bonds are assumed for the tax exempt bonds.
  - The debt structure assumes bonds are issued at par (i.e., no discount or premium bonds are assumed). Annual debt service escalates somewhat relative to the projected growth in net revenues.
  - Bonds are issued with a term equal to the lesser of 40 years or the remaining term of the Funding Agreement.
  - Debt service coverage provided by net revenues is targeted to be at least 1.20x for combined Senior Revenue Bond, Subordinate Revenue Bond and Subordinate Special Revenue Bond debt service.

Financial Plan Results

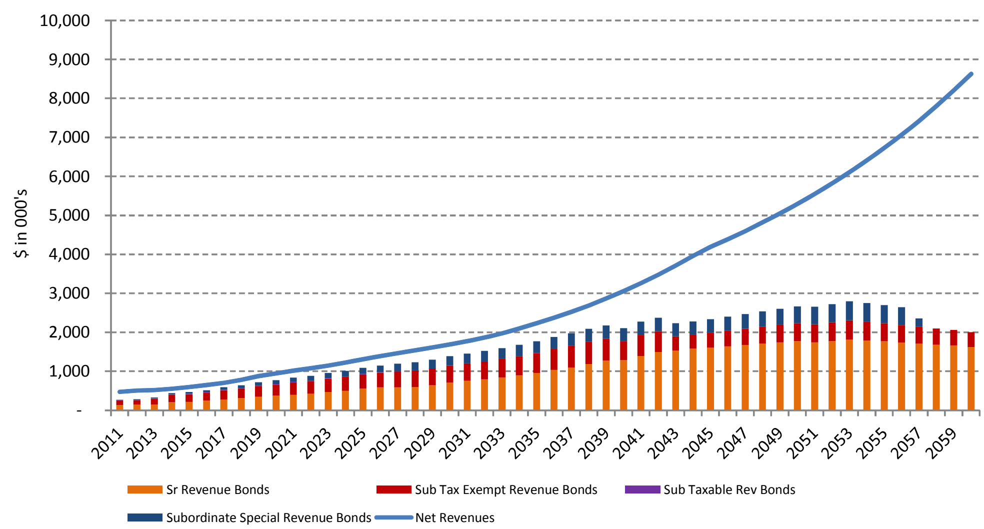
During the course of the financial plan period covering fiscal 2013-2057, the Commission is projected to generate sufficient resources to operate and maintain the Turnpike, provide for its capital investment needs, meet debt service requirements, fund required Act 44 obligations and maintain internal liquidity. The Appendix presents the financial plan annual cash flow.

Given Turnpike capital needs and Act 44 obligations, the Commission is projected to continue to regularly access the capital markets to finance its needs. Between fiscal 2013 and 2022, PTC is projected to issue $10.5 billion in debt. This year's financial plan includes $6.2 billion in Senior Revenue Bonds, $2.2 billion in Subordinate Revenue Bonds and $2.1 billion in Subordinate Special Revenue Bonds.

For the entire 2013-2057 year financial plan period, the issuance of debt secured by Turnpike toll revenues totals $35.0 billion, consisting of $25.0 billion in Senior Revenue Bonds for Turnpike capital needs and $5.7 billion in Subordinate Revenue Bonds and $4.3 billion in Subordinate Special Revenue Bonds to meet Act 44 obligations.

Exhibit 6 presents Turnpike net revenues relative to annual debt service obligations. Although the PTC is projected to be more highly leveraged, projected toll revenues are estimated to provide sufficient debt service coverage. Turnpike Senior Revenue Bond debt service coverage is at least 2.25x and is generally around 2.30x-2.50x, which should enable the Turnpike to retain its current mid-investment grade bond ratings. Reflecting significant leverage to finance Act 44 obligations, Subordinate Revenue Bond debt service coverage is lower, but at least 1.35x and generally ranges from 1.40x-1.50x. Subordinate Special Revenue Bond debt service coverage is no less than 1.20x.

Exhibit 6
Long Range Financial Plan
Turnpike Net Revenues and Debt Service
($000) Fiscal Years Ending 5/31

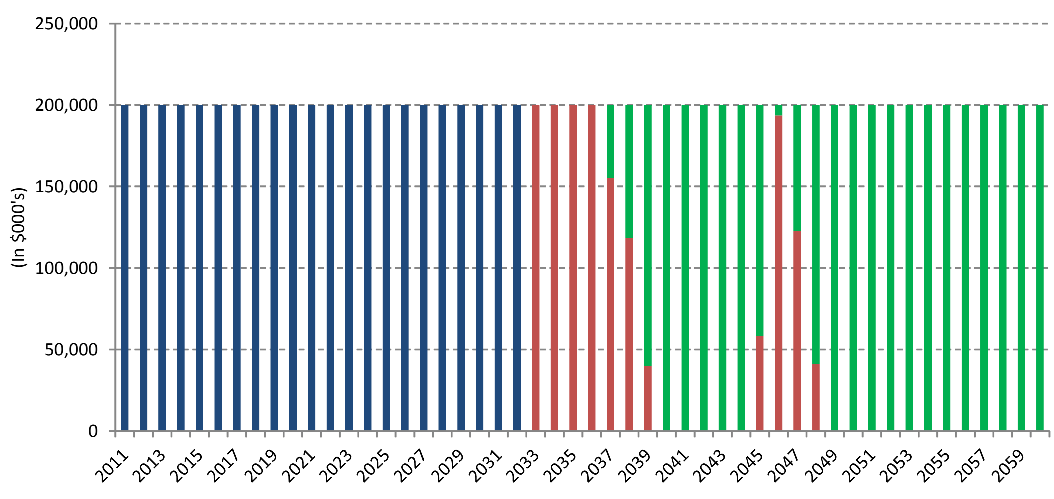


Although the financial plan is structured to maximize the use of Turnpike cash for its Act 44 transit obligations, the Commission would need to debt finance from 50%-80% of these obligations through fiscal 2031. As Turnpike revenues are projected to grow, debt needs are reduced to 8%-45% of Act 44 transit obligations through fiscal 2035 and are expected to be entirely cash-funded thereafter. (See Exhibit 7)

Exhibit 7
Long Range Financial Plan
Act 44 Transit Operating Support
($000) Fiscal Years Ending 5/31

Subordinate Special Revenue Bonds are required to finance 100% of the highway and bridge capital needs portion of the Commission's Act 44 payments through fiscal 2032 once the Commission fully utilizes its authorized borrowing capacity for this lien under Act 44. A mix of Turnpike cash and Subordinate Revenue Bonds are assumed from 2033 through 2048. Surplus cash is projected to fund highway and bridge capital needs thereafter. (See Exhibit 8).

Exhibit 8
Long Range Financial Plan
Act 44 Highway and Bridge Capital Support
($000) Fiscal Years Ending 5/31



To provide added protection, the financial plan assumes the Commission maintains at least 10% of annual gross revenues in the General Reserve Fund and Reserve Maintenance Fund. This internal liquidity is available to help the Commission meet its obligations in the event of a short term disruption, lower than expected revenues or higher than expected obligations.

Although the financial plan is based on reasonable financial assumptions, PTC recognizes that there are inherent uncertainties in projecting the Commission's resources and obligations over a forty-four year period. Downside risks to the financial plan include lower than expected traffic and toll revenues, higher interest and inflation rates and/or greater than projected cost increases. To accommodate these risks, the financial plan requires that PTC maintain strong debt service coverage and preserve internal liquidity. Nevertheless, it is also important to assess how the combination of downside risks may impact the financial plan and to identify remediation measures the Commission could implement to maintain fiscal stability. PTC will monitor its performance relative to the financial plan and take corrective action if costs are higher than projected and/or toll revenues are less than expected. While under such a scenario toll rates may need to be increased at higher rates, the Commission will explore strategies to contain cost growth or reprioritize capital initiatives to manage the level of rate adjustments and maintain fiscal stability.

VII. Fiscal 2013 Financial Planning Activities

Fiscal 2013 Financial Planning Activities

While the Commission continues to meet its Turnpike and Act 44 financial obligations over the course of fiscal 2013, it will pursue a number of activities to refine and strengthen its financial plan. These activities, described below, will enable the Commission to solidify its key assumptions and manage potential risk.

Traffic and Revenue Forecasts

PTC will continue to review and refine its Turnpike tolling strategies and revenue projections based on its traffic consultants' assessment of recent economic conditions and their expected long term impact on traffic demand. The traffic and revenue analyses will help the Commission further optimize its toll rate setting strategy to balance the need to generate the required revenues to meet Turnpike and Act 44 obligations, with the implementation of an equitable toll rate paid by customers that does not cause undue diversions to non-tolled highways. Refined estimates of traffic demand will also help guide the Commission's capital planning efforts to determine the timing and scope of capacity expansion needs to meet future traffic demand.

Operations and Maintenance Cost Strategies

The Commission's financial plan assumes that it will hold operations and maintenance expense growth to a 4% annual rate. During the course of the fiscal year, the Commission will evaluate updated pension contribution assumptions provided by the State Employees' Retirement System and continue to identify, evaluate and begin implementing measures to provide recurring savings and operating efficiencies that continue to control cost growth to the annual 4% rate over the long term.

Capital Planning

To meet the travel needs of its customers and generate the necessary revenues to meet its obligations, PTC is committed to maintaining and improving Turnpike infrastructure and providing sufficient capacity to meet future traffic demand. The Commission has a well-established ten-year capital planning effort for the Turnpike and will continue to refine and prioritize capital initiatives within the context of its plan, including strategies for implementing AET.

Financing Initiatives

The Commission continues to successfully navigate through an evolving capital markets environment in order to meet its commitments on a timely basis. Using this year's financial plan as a guide, the Commission will evaluate alternative pay-as-you-go and debt financing structures that meet the PTC and Commonwealth's needs while preserving fiscal stability. Specific initiatives include:

- Refine the mix of debt structures used by the Commission for financing capital improvement and Act 44 needs, including current interest bonds and capital appreciation bonds, convertible capital appreciation bonds and other options.

- Assess the costs and benefits of variable rate and interest rate derivative strategies relative to current market conditions.
- Monitor actual financial results with financial plan assumptions and adjust the financial plan if circumstances arise that could affect the ability of the Commission to meet its obligations under Act 44.
- Update financial management policies, as needed, to better reflect changing market conditions and Turnpike and Act 44 obligations.
- Evaluate innovative financing strategies such the United States Department of Transportation's Transportation Infrastructure Finance and Innovation Act ("TIFIA") program that may allow the Commission to take advantage of flexible debt repayment terms and favorable borrowing rates.
- Continue to evaluate and implement strategies to maximize the amount of Act 44 payments eligible to be financed on a tax exempt basis.

VIII. Appendices

Appendices

A. Financial Plan Cash Flows

B. Financial Management Polices

A. Financial Plan Cash Flows

Pennsylvania Turnpike Commission
Act 44 Financial Plan
($000) Fiscal Year End 5/31

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mainline Operating Income										
Gross Toll Revenues	739,703	779,340	820,715	867,834	927,140	994,656	1,066,612	1,160,241	1,267,103	1,352,994
Gross Non-Toll Revenues	18,930	23,628	21,061	16,783	16,951	17,120	17,292	17,464	17,639	17,815
Gross Operating Revenues	758,633	802,968	841,776	884,617	944,091	1,011,776	1,083,903	1,177,705	1,284,743	1,370,810
Operating Expense	295,483	303,300	326,679	339,746	353,336	367,469	382,168	397,455	413,353	429,887
Interest Income	11,089	8,541	5,415	5,817	5,145	4,872	4,940	4,684	4,374	4,107
Net Turnpike Revenues Before Debt Service	474,239	508,209	520,512	550,687	595,901	649,179	706,675	784,935	875,764	945,029
Senior Turnpike Revenue Bond Debt Service	133,718	145,099	148,220	207,820	218,743	248,408	281,191	313,351	343,816	371,404
Net Income Before Capital Expense and General Reserve	340,521	363,110	372,293	342,867	377,157	400,771	425,484	471,584	531,948	573,626
Turnpike Working Capital										
Cash Beginning Balance	61,607	75,203	184,703	220,940	149,546	116,257	116,317	83,513	43,105	5,683
Construction Fund Beginning Balance	144,500	454,561	114,430	-	-	-	-	-	-	-
Newly Sized Senior Bond Proceeds	538,661	-	345,758	554,203	569,816	639,302	639,337	598,451	531,900	531,945
Previously Unused Senior Bond Proceeds Used	144,500	340,131	114,430	-	-	-	-	-	-	-
Current Senior Bond Proceeds Used	84,100	-	345,758	554,203	569,816	639,302	639,337	598,451	531,900	531,945
Construction Fund Ending Balance	454,561	114,430	-	-	-	-	-	-	-	-
Net Income	340,521	363,110	372,293	342,867	377,157	400,771	425,484	471,584	531,948	573,626
Capital Expenditure	356,283	425,164	575,234	692,753	712,270	799,128	799,172	748,064	664,875	664,931
PAYGO	127,683	85,033	115,047	138,551	142,454	159,826	159,834	149,613	132,975	132,986
Federal Fund Reim.	9,346	9,237	12,200	5,535	20,808	68,408	85,031	37,412	-	-
Capital Expenditure Reconciliation	(71,083)	(38,934)	-	-	-	-	-	-	-	-
Liquidity Requirement	75,863	80,297	84,178	88,462	94,409	101,178	108,390	117,771	128,474	137,081
Liquidity Requirement Cashflow Set-aside	4,860	4,433	3,881	4,284	5,947	6,769	7,213	9,380	10,704	8,607
Subordinate DSRF Interest Earnings	2,100	5,950	3,758	3,758	3,758	3,758	3,758	3,758	3,758	3,758
Subordinate Special Revenue Bonds DSRF Interest Earnings	113	380	334	334	334	334	334	334	334	334
General Reserve Fund Before Subordinate Debt	210,061	325,479	454,360	430,599	403,201	422,933	463,877	437,608	435,467	441,808
Subordinate and Sub. Special Revenue Bonds Debt Service	134,858	140,776	183,420	231,205	248,192	267,844	312,036	329,844	378,635	398,659
Tax-Exempt Subordinate Bonds Debt Service	120,871	118,274	147,400	186,277	195,252	206,418	233,825	242,725	275,851	286,141
Taxable Subordinate Bonds Debt Service	12,446	12,440	12,428	12,421	12,551	12,829	12,972	12,985	19,338	19,320
Subordinate Special Revenue Bonds Debt Service	1,541	10,063	23,592	32,508	40,388	48,598	65,239	74,134	83,446	93,199
Net Funds Remaining Before Act 44 Payments	75,203	184,703	270,940	199,394	155,009	155,089	151,842	107,764	56,832	43,149

Pennsylvania Turnpike Commission
Act 44 Financial Plan
($000) Fiscal Year End 5/31

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Act 44 Payment Sources										
Turnpike Cash	-	-	50,000	49,849	38,752	38,772	68,329	64,658	51,148	43,149
Tax-Exempt Subordinate Bond Proceeds	250,000	250,000	200,000	200,151	208,000	208,000	181,671	185,342	198,852	206,851
Taxable Subordinate Bond Proceeds	-	-	-	-	3,248	3,228	-	-	-	-
Subordinate Special Revenue Bond Proceeds	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Roads & Bridges Payments	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Roads & Bridges Total Sources	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Tax-Exempt Subordinate Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Turnpike Cash	-	-	-	-	-	-	-	-	-	-
Subordinate Special Revenue Bond Proceeds	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Transit Operations Payments	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Transit Operations Total Sources	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Turnpike Cash	-	-	50,000	49,849	38,752	38,772	68,329	64,658	51,148	43,149
Tax-Exempt Subordinate Bond Proceeds	250,000	250,000	200,000	200,151	208,000	208,000	181,671	185,342	198,852	206,851
Taxable Subordinate Bond Proceeds	-	-	-	-	3,248	3,228	-	-	-	-
Total Act 44 Payments	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Total Act 44 Sources	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Remaining Turnpike Cash	75,203	184,703	220,940	149,546	116,257	116,317	83,513	43,105	5,683	-
Turnpike General Reserve	151,066	265,000	305,118	238,007	210,666	217,494	191,903	160,876	134,157	137,081
Coverage Calculations										
Mainline Debt Service Coverage										
Senior Lien										
Pledged Revenues	474,239	508,209	520,512	550,687	595,901	649,179	706,675	784,935	875,764	945,029
Debt Service	(133,718)	(145,099)	(148,220)	(207,820)	(218,743)	(248,408)	(281,191)	(313,351)	(343,816)	(371,404)
Coverage	3.55 x	3.50 x	3.51 x	2.65 x	2.72 x	2.61 x	2.51 x	2.50 x	2.55 x	2.54 x
Subordinate Lien										
Pledged Revenues	476,339	514,159	524,270	554,445	599,658	652,937	710,433	788,692	879,521	948,787
Debt Service	(267,035)	(275,813)	(308,047)	(406,518)	(426,547)	(467,655)	(527,988)	(569,060)	(639,004)	(676,864)
Coverage	1.78 x	1.86 x	1.70 x	1.36 x	1.41 x	1.40 x	1.35 x	1.39 x	1.38 x	1.40 x
Subordinate Special Revenue Lien										
Pledged Revenues	476,452	514,539	524,604	554,779	599,992	653,271	710,767	789,026	879,855	949,121
Debt Service	(268,576)	(285,876)	(331,640)	(439,025)	(466,935)	(516,252)	(593,226)	(643,195)	(722,450)	(770,062)
Coverage	1.77 x	1.80 x	1.58 x	1.26 x	1.28 x	1.27 x	1.20 x	1.23 x	1.22 x	1.23 x

Pennsylvania Turnpike Commission
Act 44 Financial Plan
($000) Fiscal Year End 5/31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Mainline Operating Income										
Gross Toll Revenues	1,440,562	1,526,383	1,615,147	1,710,680	1,812,396	1,913,703	2,013,210	2,110,727	2,206,844	2,309,626
Gross Non-Toll Revenues	17,994	18,174	18,355	18,539	18,724	18,912	19,101	19,292	19,485	19,679
Gross Operating Revenues	1,458,555	1,544,557	1,633,502	1,729,219	1,831,120	1,932,615	2,032,311	2,130,019	2,226,329	2,329,306
Operating Expense	447,083	469,724	488,513	508,054	528,376	549,511	571,492	594,351	618,125	642,850
Interest Income	4,136	4,224	4,310	4,399	4,495	4,595	3,986	4,086	4,184	4,280
Net Turnpike Revenues Before Debt Service	1,015,609	1,079,056	1,149,299	1,225,563	1,307,239	1,387,699	1,464,806	1,539,754	1,612,388	1,690,736
Senior Turnpike Revenue Bond Debt Service	397,310	424,629	467,158	498,732	556,258	588,803	586,051	600,549	641,255	709,318
Net Income Before Capital Expense and General Reserve	618,299	654,427	682,141	726,831	750,980	798,895	878,755	939,205	971,132	981,417
Turnpike Working Capital										
Cash Beginning Balance	-	-	-	-	-	-	-	-	-	-
Construction Fund Beginning Balance	-	-	-	-	-	-	-	-	-	-
Newly Sized Senior Bond Proceeds	531,950	532,000	553,280	575,411	598,428	622,365	647,259	673,150	700,076	728,079
Previously Unused Senior Bond Proceeds Used	-	-	-	-	-	-	-	-	-	-
Current Senior Bond Proceeds Used	531,950	532,000	553,280	575,411	598,428	622,365	647,259	673,150	700,076	728,079
Construction Fund Ending Balance	-	-	-	-	-	-	-	-	-	-
Net Income	618,299	654,427	682,141	726,831	750,980	798,895	878,755	939,205	971,132	981,417
Capital Expenditure	664,937	665,000	691,600	719,264	748,035	777,956	809,074	841,437	875,095	910,098
PAYGO	132,987	133,000	138,320	143,853	149,607	155,591	161,815	168,287	175,019	182,020
Federal Fund Reim.	-	-	-	-	-	-	-	-	-	-
Capital Expenditure Reconciliation	-	-	-	-	-	-	-	-	-	-
Liquidity Requirement	145,856	154,456	163,350	172,922	183,112	193,261	203,231	213,002	222,633	232,931
Liquidity Requirement Cashflow Set-aside	8,775	8,600	8,895	9,572	10,190	10,149	9,970	9,771	9,631	10,298
Subordinate DSRF Interest Earnings	3,758	3,758	3,758	3,758	3,758	3,758	3,758	3,758	3,758	3,732
Subordinate Special Revenue Bonds DSRF Interest Earnings	334	334	334	334	334	334	334	334	334	334
General Reserve Fund Before Subordinate Debt	480,629	516,919	539,018	577,499	595,275	637,246	711,062	765,238	790,574	793,166
Subordinate and Sub. Special Revenue Bonds Debt Service	440,172	461,330	490,573	511,764	534,036	557,040	609,667	632,641	655,936	676,210
Tax-Exempt Subordinate Bonds Debt Service	312,911	323,853	340,366	356,841	367,762	378,770	413,869	423,894	433,660	439,774
Taxable Subordinate Bonds Debt Service	19,398	19,477	18,570	12,310	12,344	12,364	943	971	999	1,028
Subordinate Special Revenue Bonds Debt Service	107,863	118,000	131,637	142,612	153,930	165,905	194,854	207,776	221,277	235,408
Net Funds Remaining Before Act 44 Payments	40,457	55,589	48,446	65,735	61,239	80,206	101,395	132,597	134,638	116,956

Pennsylvania Turnpike Commission
Act 44 Financial Plan
($000) Fiscal Year End 5/31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Act 44 Payment Sources										
Turnpike Cash	40,457	55,589	48,446	65,735	61,239	80,206	101,395	132,597	134,638	116,956
Tax-Exempt Subordinate Bond Proceeds	208,000	194,411	201,554	184,265	188,761	169,794	148,605	117,403	115,362	133,044
Taxable Subordinate Bond Proceeds	1,543	-	-	-	-	-	-	-	-	-
Subordinate Special Revenue Bond Proceeds	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Roads & Bridges Payments	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Roads & Bridges Total Sources	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Tax-Exempt Subordinate Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Turnpike Cash	-	-	-	-	-	-	-	-	-	-
Subordinate Special Revenue Bond Proceeds	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Transit Operations Payments	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Transit Operations Total Sources	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Turnpike Cash	40,457	55,589	48,446	65,735	61,239	80,206	101,395	132,597	134,638	116,956
Tax-Exempt Subordinate Bond Proceeds	208,000	194,411	201,554	184,265	188,761	169,794	148,605	117,403	115,362	133,044
Taxable Subordinate Bond Proceeds	1,543	-	-	-	-	-	-	-	-	-
Total Act 44 Payments	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Total Act 44 Sources	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Remaining Turnpike Cash	-	-	-	-	-	-	-	-	-	-
Turnpike General Reserve	145,856	154,456	163,350	172,922	183,112	193,261	203,231	213,002	222,633	232,931
Coverage Calculations										
Mainline Debt Service Coverage										
Senior Lien										
Pledged Revenues	1,015,609	1,079,056	1,149,299	1,225,563	1,307,239	1,387,699	1,464,806	1,539,754	1,612,388	1,690,736
Debt Service	(397,310)	(424,629)	(467,158)	(498,732)	(556,258)	(588,803)	(586,051)	(600,549)	(641,255)	(709,318)
Coverage	2.56 x	2.54 x	2.46 x	2.46 x	2.35 x	2.36 x	2.50 x	2.56 x	2.51 x	2.38 x
Subordinate Lien										
Pledged Revenues	1,019,367	1,082,814	1,153,057	1,229,321	1,310,996	1,391,457	1,468,564	1,543,512	1,616,145	1,694,468
Debt Service	(729,619)	(767,959)	(826,094)	(867,884)	(936,364)	(979,938)	(1,000,864)	(1,025,414)	(1,075,914)	(1,150,120)
Coverage	1.40 x	1.41 x	1.40 x	1.42 x	1.40 x	1.42 x	1.47 x	1.51 x	1.50 x	1.47 x
Subordinate Special Revenue Lien										
Pledged Revenues	1,019,700	1,083,148	1,153,391	1,229,655	1,311,330	1,391,791	1,468,898	1,543,846	1,616,479	1,694,802
Debt Service	(837,482)	(885,959)	(957,730)	(1,010,496)	(1,090,294)	(1,145,843)	(1,195,718)	(1,233,190)	(1,297,192)	(1,385,528)
Coverage	1.22 x	1.22 x	1.20 x	1.22 x	1.20 x	1.21 x	1.23 x	1.25 x	1.25 x	1.22 x

Pennsylvania Turnpike Commission
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	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Mainline Operating Income										
Gross Toll Revenues	2,418,218	2,533,803	2,670,114	2,824,942	2,988,648	3,161,583	3,344,386	3,541,361	3,754,820	3,981,094
Gross Non-Toll Revenues	19,876	20,075	20,276	20,478	20,683	20,890	21,099	21,310	21,523	21,738
Gross Operating Revenues	2,438,094	2,553,878	2,690,390	2,845,420	3,009,332	3,182,473	3,365,484	3,562,671	3,776,343	4,002,832
Operating Expense	668,564	695,307	723,119	752,044	782,126	813,411	845,947	879,785	914,976	951,575
Interest Income	4,383	4,492	4,608	4,744	4,899	5,004	5,177	5,231	5,152	5,364
Net Turnpike Revenues Before Debt Service	1,773,913	1,863,063	1,971,879	2,098,121	2,232,105	2,374,066	2,524,715	2,688,118	2,866,518	3,056,621
Senior Turnpike Revenue Bond Debt Service	753,562	793,058	842,437	894,801	956,496	1,034,331	1,098,045	1,184,640	1,274,455	1,287,389
Net Income Before Capital Expense and General Reserve	1,020,351	1,070,005	1,129,442	1,203,319	1,275,610	1,339,735	1,426,670	1,503,478	1,592,063	1,769,232
Turnpike Working Capital										
Cash Beginning Balance	-	-	-	-	-	-	-	-	-	-
Construction Fund Beginning Balance	-	-	-	-	-	-	-	-	-	-
Newly Sized Senior Bond Proceeds	757,202	787,490	818,990	851,749	885,819	921,252	958,102	996,426	1,036,283	1,077,734
Previously Unused Senior Bond Proceeds Used	-	-	-	-	-	-	-	-	-	-
Current Senior Bond Proceeds Used	757,202	787,490	818,990	851,749	885,819	921,252	958,102	996,426	1,036,283	1,077,734
Construction Fund Ending Balance	-	-	-	-	-	-	-	-	-	-
Net Income	1,020,351	1,070,005	1,129,442	1,203,319	1,275,610	1,339,735	1,426,670	1,503,478	1,592,063	1,769,232
Capital Expenditure	946,502	984,362	1,023,737	1,064,686	1,107,274	1,151,565	1,197,627	1,245,533	1,295,354	1,347,168
PAYGO	189,300	196,872	204,747	212,937	221,455	230,313	239,525	249,107	259,071	269,434
Federal Fund Reim.	-	-	-	-	-	-	-	-	-	-
Capital Expenditure Reconciliation	-	-	-	-	-	-	-	-	-	-
Liquidity Requirement	243,809	255,388	269,039	284,542	300,933	318,247	336,548	356,267	377,634	400,283
Liquidity Requirement Cashflow Set-aside	10,879	11,578	13,651	15,503	16,391	17,314	18,301	19,719	21,367	22,649
Subordinate DSRF Interest Earnings	3,732	3,732	3,732	3,732	3,732	3,732	3,724	3,714	3,282	2,612
Subordinate Special Revenue Bonds DSRF Interest Earnings	334	334	334	334	334	334	334	334	334	138
General Reserve Fund Before Subordinate Debt	824,238	865,620	915,109	978,945	1,041,830	1,096,174	1,172,901	1,238,701	1,315,241	1,479,900
Subordinate and Sub. Special Revenue Bonds Debt Service	701,950	728,215	755,523	783,379	812,161	847,294	878,106	907,001	905,075	817,632
Tax-Exempt Subordinate Bonds Debt Service	450,668	461,550	476,213	494,128	512,898	537,744	557,458	574,638	560,480	486,391
Taxable Subordinate Bonds Debt Service	1,057	1,087	1,117	1,148	822	345	212	218	224	230
Subordinate Special Revenue Bonds Debt Service	250,225	265,579	278,193	288,102	298,441	309,205	320,436	332,144	344,371	331,010
Net Funds Remaining Before Act 44 Payments	122,288	137,405	159,586	195,566	229,668	248,879	294,795	331,700	410,166	662,268

Pennsylvania Turnpike Commission
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	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Act 44 Payment Sources										
Turnpike Cash	122,288	137,405	159,586	195,566	229,668	248,879	294,795	331,700	410,166	450,000
Tax-Exempt Subordinate Bond Proceeds	127,712	112,595	290,414	254,434	220,332	201,121	155,205	118,300	39,834	-
Taxable Subordinate Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Subordinate Special Revenue Bond Proceeds	200,000	200,000	-	-	-	-	-	-	-	-
Roads & Bridges Payments	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Roads & Bridges Total Sources	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Tax-Exempt Subordinate Bond Proceeds	-	-	200,000	200,000	200,000	200,000	155,205	118,300	39,834	-
Turnpike Cash	-	-	-	-	-	-	44,795	81,700	160,166	200,000
Subordinate Special Revenue Bond Proceeds	200,000	200,000	-	-	-	-	-	-	-	-
Transit Operations Payments	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Transit Operations Total Sources	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Turnpike Cash	122,288	137,405	159,586	195,566	229,668	248,879	250,000	250,000	250,000	250,000
Tax-Exempt Subordinate Bond Proceeds	127,712	112,595	90,414	54,434	20,332	1,121	-	-	-	-
Taxable Subordinate Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Total Act 44 Payments	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Total Act 44 Sources	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Remaining Turnpike Cash	-	-	-	-	-	-	-	-	-	212,268
Turnpike General Reserve	243,809	255,388	269,039	284,542	300,933	318,247	336,548	356,267	377,634	612,551
Coverage Calculations										
Mainline Debt Service Coverage										
Senior Lien										
Pledged Revenues	1,773,913	1,863,063	1,971,879	2,098,121	2,232,105	2,374,066	2,524,715	2,688,118	2,866,518	3,056,621
Debt Service	(753,562)	(793,058)	(842,437)	(894,801)	(956,496)	(1,034,331)	(1,098,045)	(1,184,640)	(1,274,455)	(1,287,389)
Coverage	2.35 x	2.35 x	2.34 x	2.34 x	2.33 x	2.30 x	2.30 x	2.27 x	2.25 x	2.37 x
Subordinate Lien										
Pledged Revenues	1,777,644	1,866,795	1,975,610	2,101,853	2,235,837	2,377,798	2,528,438	2,691,832	2,869,800	3,059,233
Debt Service	(1,205,287)	(1,255,695)	(1,319,768)	(1,390,078)	(1,470,216)	(1,572,421)	(1,655,715)	(1,759,496)	(1,835,159)	(1,774,010)
Coverage	1.47 x	1.49 x	1.50 x	1.51 x	1.52 x	1.51 x	1.53 x	1.53 x	1.56 x	1.72 x
Subordinate Special Revenue Lien										
Pledged Revenues	1,777,978	1,867,129	1,975,944	2,102,187	2,236,171	2,378,132	2,528,772	2,692,165	2,870,134	3,059,371
Debt Service	(1,455,511)	(1,521,273)	(1,597,960)	(1,678,180)	(1,768,657)	(1,881,626)	(1,976,151)	(2,091,640)	(2,179,530)	(2,105,020)
Coverage	1.22 x	1.23 x	1.24 x	1.25 x	1.26 x	1.26 x	1.28 x	1.29 x	1.32 x	1.45 x

Pennsylvania Turnpike Commission
Act 44 Financial Plan
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	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Mainline Operating Income										
Gross Toll Revenues	4,221,300	4,477,308	4,750,117	5,039,742	5,315,093	5,561,008	5,818,650	6,088,658	6,371,682	6,668,423
Gross Non-Toll Revenues	21,956	22,175	22,397	22,621	22,847	23,076	23,306	23,539	23,775	24,013
Gross Operating Revenues	4,243,256	4,499,484	4,772,514	5,062,363	5,337,941	5,584,083	5,841,956	6,112,197	6,395,457	6,692,435
Operating Expense	989,638	1,029,224	1,070,393	1,113,209	1,157,737	1,204,046	1,252,208	1,302,297	1,354,388	1,408,564
Interest Income	7,579	10,161	13,807	12,018	8,575	6,791	7,038	7,295	7,566	8,359
Net Turnpike Revenues Before Debt Service	3,261,197	3,480,421	3,715,929	3,961,172	4,188,778	4,386,828	4,596,785	4,817,196	5,048,634	5,292,230
Senior Turnpike Revenue Bond Debt Service	1,394,671	1,494,191	1,535,291	1,582,414	1,611,945	1,642,665	1,674,483	1,707,263	1,741,036	1,775,845
Net Income Before Capital Expense and General Reserve	1,866,526	1,986,230	2,180,638	2,378,758	2,576,833	2,744,163	2,922,302	3,109,933	3,307,598	3,516,385
Turnpike Working Capital										
Cash Beginning Balance	212,268	446,458	785,443	579,192	205,897	-	-	-	-	51,003
Construction Fund Beginning Balance	-	-	-	-	-	-	-	-	-	-
Newly Sized Senior Bond Proceeds	1,120,844	1,165,678	303,076	-	-	-	-	-	-	-
Previously Unused Senior Bond Proceeds Used	-	-	-	-	-	-	-	-	-	-
Current Senior Bond Proceeds Used	1,120,844	1,165,678	303,076	-	-	-	-	-	-	-
Construction Fund Ending Balance	-	-	-	-	-	-	-	-	-	-
Net Income	1,866,526	1,986,230	2,180,638	2,378,758	2,576,833	2,744,163	2,922,302	3,109,933	3,307,598	3,516,385
Capital Expenditure	1,401,055	1,457,097	1,515,381	1,575,996	1,639,036	1,704,597	1,772,781	1,843,692	1,917,440	1,994,138
PAYGO	280,211	291,419	1,212,305	1,575,996	1,639,036	1,704,597	1,772,781	1,843,692	1,917,440	1,994,138
Federal Fund Reim.	-	-	-	-	-	-	-	-	-	-
Capital Expenditure Reconciliation	-	-	-	-	-	-	-	-	-	-
Liquidity Requirement	424,326	449,948	477,251	506,236	533,794	558,408	584,196	611,220	639,546	669,244
Liquidity Requirement Cashflow Set-aside	24,042	25,623	27,303	28,985	27,558	24,614	25,787	27,024	28,326	29,698
Subordinate DSRF Interest Earnings	2,612	2,428	-	-	-	-	-	-	-	-
Subordinate Special Revenue Bonds DSRF Interest Earnings	138	65	-	-	-	-	-	-	-	-
General Reserve Fund Before Subordinate Debt	1,777,291	2,118,139	1,726,473	1,352,970	1,116,136	1,014,952	1,123,734	1,239,216	1,361,832	1,543,553
Subordinate and Sub. Special Revenue Bonds Debt Service	880,833	882,696	697,281	697,073	724,358	758,539	796,506	830,287	860,828	890,044
Tax-Exempt Subordinate Bonds Debt Service	536,459	534,268	360,806	363,199	375,538	394,098	415,737	432,739	445,920	457,965
Taxable Subordinate Bonds Debt Service	67	-	-	-	-	-	-	-	-	-
Subordinate Special Revenue Bonds Debt Service	344,307	348,428	336,475	333,874	348,820	364,441	380,768	397,548	414,909	432,079
Net Funds Remaining Before Act 44 Payments	896,458	1,235,443	1,029,192	655,897	391,778	256,413	327,228	408,929	501,003	653,509

Pennsylvania Turnpike Commission
Act 44 Financial Plan
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	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Act 44 Payment Sources										
Turnpike Cash	450,000	450,000	450,000	450,000	391,778	256,413	327,228	408,929	450,000	450,000
Tax-Exempt Subordinate Bond Proceeds	-	-	-	-	58,222	193,587	122,772	41,071	-	-
Taxable Subordinate Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Subordinate Special Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Roads & Bridges Payments	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Roads & Bridges Total Sources	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Tax-Exempt Subordinate Bond Proceeds	-	-	-	-	58,222	193,587	122,772	41,071	-	-
Turnpike Cash	200,000	200,000	200,000	200,000	141,778	6,413	77,228	158,929	200,000	200,000
Subordinate Special Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Transit Operations Payments	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Transit Operations Total Sources	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Turnpike Cash	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Tax-Exempt Subordinate Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Taxable Subordinate Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Total Act 44 Payments	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Total Act 44 Sources	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Remaining Turnpike Cash	446,458	785,443	579,192	205,897	-	-	-	-	51,003	203,509
Turnpike General Reserve	870,784	1,235,391	1,056,443	712,133	533,794	558,408	584,196	611,220	690,549	872,752
Coverage Calculations										
Mainline Debt Service Coverage										
Senior Lien										
Pledged Revenues	3,261,197	3,480,421	3,715,929	3,961,172	4,188,778	4,386,828	4,596,785	4,817,196	5,048,634	5,292,230
Debt Service	(1,394,671)	(1,494,191)	(1,535,291)	(1,582,414)	(1,611,945)	(1,642,665)	(1,674,483)	(1,707,263)	(1,741,036)	(1,775,845)
Coverage	2.34 x	2.33 x	2.42 x	2.50 x	2.60 x	2.67 x	2.75 x	2.82 x	2.90 x	2.98 x
Subordinate Lien										
Pledged Revenues	3,263,809	3,482,849	3,715,929	3,961,172	4,188,778	4,386,828	4,596,785	4,817,196	5,048,634	5,292,230
Debt Service	(1,931,197)	(2,028,459)	(1,896,098)	(1,945,613)	(1,987,483)	(2,036,763)	(2,090,221)	(2,140,003)	(2,186,956)	(2,233,810)
Coverage	1.69 x	1.72 x	1.96 x	2.04 x	2.11 x	2.15 x	2.20 x	2.25 x	2.31 x	2.37 x
Subordinate Special Revenue Lien										
Pledged Revenues	3,263,947	3,482,914	3,715,929	3,961,172	4,188,778	4,386,828	4,596,785	4,817,196	5,048,634	5,292,230
Debt Service	(2,275,504)	(2,376,887)	(2,232,572)	(2,279,487)	(2,336,304)	(2,401,204)	(2,470,989)	(2,537,551)	(2,601,865)	(2,665,889)
Coverage	1.43 x	1.47 x	1.66 x	1.74 x	1.79 x	1.83 x	1.86 x	1.90 x	1.94 x	1.99 x

Pennsylvania Turnpike Commission
Act 44 Financial Plan
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	2051	2052	2053	2054	2055	2056	2057
Mainline Operating Income							
Gross Toll Revenues	6,979,621	7,306,043	7,648,344	8,007,162	8,383,332	8,777,733	9,191,290
Gross Non-Toll Revenues	24,253	24,495	24,740	24,988	25,237	25,490	25,745
Gross Operating Revenues	7,003,874	7,330,539	7,673,085	8,032,150	8,408,569	8,803,223	9,217,034
Operating Expense	1,464,907	1,523,503	1,584,443	1,647,821	1,713,733	1,782,283	1,853,574
Interest Income	8,728	12,402	17,288	23,474	32,230	43,727	58,190
Net Turnpike Revenues Before Debt Service	5,547,695	5,819,437	6,105,930	6,407,803	6,727,065	7,064,667	7,421,650
Senior Turnpike Revenue Bond Debt Service	1,738,935	1,775,618	1,812,569	1,791,339	1,768,364	1,737,829	1,707,256
Net Income Before Capital Expense and General Reserve	3,808,760	4,043,820	4,293,361	4,616,463	4,958,702	5,326,838	5,714,394
Turnpike Working Capital							
Cash Beginning Balance	203,509	539,763	995,767	1,580,084	2,419,740	3,531,827	4,938,645
Construction Fund Beginning Balance	-	-	-	-	-	-	-
Newly Sized Senior Bond Proceeds	-	-	-	-	-	-	-
Previously Unused Senior Bond Proceeds Used	-	-	-	-	-	-	-
Current Senior Bond Proceeds Used	-	-	-	-	-	-	-
Construction Fund Ending Balance	-	-	-	-	-	-	-
Net Income	3,808,760	4,043,820	4,293,361	4,616,463	4,958,702	5,326,838	5,714,394
Capital Expenditure	2,073,903	2,156,859	2,243,134	2,332,859	2,426,173	2,523,220	2,624,149
PAYGO	2,073,903	2,156,859	2,243,134	2,332,859	2,426,173	2,523,220	2,624,149
Federal Fund Reim.	-	-	-	-	-	-	-
Capital Expenditure Reconciliation	-	-	-	-	-	-	-
Liquidity Requirement	700,387	733,054	767,308	803,215	840,857	880,322	921,703
Liquidity Requirement Cashflow Set-aside	31,144	32,666	34,255	35,906	37,642	39,465	41,381
Subordinate DSRF Interest Earnings	-	-	-	-	-	-	-
Subordinate Special Revenue Bonds DSRF Interest Earnings	-	-	-	-	-	-	-
General Reserve Fund Before Subordinate Debt	1,907,222	2,394,057	3,011,740	3,827,782	4,914,626	6,295,980	7,987,508
Subordinate and Sub. Special Revenue Bonds Debt Service	917,459	948,289	981,655	958,042	932,799	907,335	653,345
Tax-Exempt Subordinate Bonds Debt Service	470,368	483,109	496,198	480,826	463,893	446,799	433,084
Taxable Subordinate Bonds Debt Service	-	-	-	-	-	-	-
Subordinate Special Revenue Bonds Debt Service	447,091	465,181	485,457	477,216	468,906	460,536	220,261
Net Funds Remaining Before Act 44 Payments	989,763	1,445,767	2,030,084	2,869,740	3,981,827	5,388,645	7,334,164

Pennsylvania Turnpike Commission
Act 44 Financial Plan
($000) Fiscal Year End 5/31

	2051	2052	2053	2054	2055	2056	2057
Act 44 Payment Sources							
Turnpike Cash	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Tax-Exempt Subordinate Bond Proceeds	-	-	-	-	-	-	-
Taxable Subordinate Bond Proceeds	-	-	-	-	-	-	-
Subordinate Special Revenue Bond Proceeds	-	-	-	-	-	-	-
Roads & Bridges Payments	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Roads & Bridges Total Sources	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Tax-Exempt Subordinate Bond Proceeds	-	-	-	-	-	-	-
Turnpike Cash	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Subordinate Special Revenue Bond Proceeds	-	-	-	-	-	-	-
Transit Operations Payments	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Transit Operations Total Sources	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Turnpike Cash	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Tax-Exempt Subordinate Bond Proceeds	-	-	-	-	-	-	-
Taxable Subordinate Bond Proceeds	-	-	-	-	-	-	-
Total Act 44 Payments	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Total Act 44 Sources	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Remaining Turnpike Cash	539,763	995,767	1,580,084	2,419,740	3,531,827	4,938,645	6,884,164
Turnpike General Reserve	1,240,151	1,728,821	2,347,393	3,222,955	4,372,684	5,818,967	7,805,867
Coverage Calculations							
Mainline Debt Service Coverage							
Senior Lien							
Pledged Revenues	5,547,695	5,819,437	6,105,930	6,407,803	6,727,065	7,064,667	7,421,650
Debt Service	(1,738,935)	(1,775,618)	(1,812,569)	(1,791,339)	(1,768,364)	(1,737,829)	(1,707,256)
Coverage	3.19 x	3.28 x	3.37 x	3.58 x	3.80 x	4.07 x	4.35 x
Subordinate Lien							
Pledged Revenues	5,547,695	5,819,437	6,105,930	6,407,803	6,727,065	7,064,667	7,421,650
Debt Service	(2,209,303)	(2,258,727)	(2,308,767)	(2,272,166)	(2,232,257)	(2,184,628)	(2,140,340)
Coverage	2.51 x	2.58 x	2.64 x	2.82 x	3.01 x	3.23 x	3.47 x
Subordinate Special Revenue Lien							
Pledged Revenues	5,547,695	5,819,437	6,105,930	6,407,803	6,727,065	7,064,667	7,421,650
Debt Service	(2,656,394)	(2,723,907)	(2,794,225)	(2,749,382)	(2,701,163)	(2,645,164)	(2,360,601)
Coverage	2.09 x	2.14 x	2.19 x	2.33 x	2.49 x	2.67 x	3.14 x

B. Financial Management Polices

<table>
<tr><td rowspan="3"></td><td rowspan="3" colspan="2">PENNSYLVANIA TURNPIKE COMMISSION
POLICY AND PROCEDURE</td><td>Number:
7.1</td></tr>
<tr><td>Approval Date:
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Investment Policy and Guidelines</td><td colspan="2">This is a statement of official Pennsylvania Turnpike Commission Policy</td><td>Revised Date:
1/13/2010</td></tr>
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Finance Department</td></tr>
</table>

A. Purpose:

To define guidelines and operational factors governing the investment of financial assets of the Pennsylvania Turnpike Commission.

B. Investment Objectives:

A. The safety and preservation of invested funds.

B. To maintain adequate liquidity to meet Commission cash flow requirements.

C. Maximize the Total Rate of Return.

D. Provide preference to Pennsylvania investments when the ROI is no less than equal to the non-Pennsylvania investment.

C. Investment Guidelines:

A. Eligible Securities (to the extent permitted by any applicable indenture of trust)

1. U. S. Treasury Bills, Notes, Bonds, Strips
2. Time Deposits issued by a banking association organized and doing business under the laws of the United States of America or of any state that have a combined capital and surplus of at least $50,000,000.
3. Certificates of Deposit that are fully collateralized and issued by a bank, savings and loan or trust company organized under the laws of the United States or any state thereof.
4. Investment Agreements with a bank, a bank holding company or a financial institution that has outstanding long-term indebtedness rated “AA” or better by Moody’s and S&P.

5. Obligations of any of federal agencies which obligations are backed by the full faith and credit of the United States of America, including (but not limited to):

   - Export-Import Bank
   - Farm Credit System Financial Assistance Corporation
   - Farmers Home Administration
   - General Services Administration
   - U.S. Maritime Administration
   - Small Business Administration
   - Government National Mortgage Association (GNMA)
   - U.S. Dept. of Housing and Urban Development (PHAs)
   - Federal Housing Administration

6. Senior debt obligations rated "AAA" by Standard & Poor's Ratings Group ("Standard & Poor's) and "Aaa" by Moody's Investors Service ("Moody's) issued by the following Government-Sponsored Enterprises (referred to as "Federal Agencies" throughout this policy):

   - Federal Home Loan Bank
   - Federal Farm Credit Bank
   - Federal Home Loan Mortgage Corporation
   - Federal National Mortgage Association

7. Mortgage-backed securities issued by an approved Federal Agency and Collateralized Mortgage Obligations, so long as such securities are rated Aaa by Moody's and AAA by Standard & Poor's.

8. Debt obligations of any state or local government entity, whether for itself, or as a conduit issuer, provided that the securities are rated in the Aa/AA category by at least two of Standard & Poor's, Moody's and Fitch Investors Service ("Fitch") and do not have a rating from any of Standard & Poor's, Moody's and Fitch below the Aa/AA category (without regard to subcategories of ratings), and provided that if a short-term rating is provided for the securities that they are rated in the top tier by at least two of the three of Standard & Poor's (A1 or better), Moody's (VMIG1 or P1), and Fitch (F1) and do not have a rating from any of the three rating agencies below such levels.

9. Commercial Paper rated by at least two of Standard and Poor's, Moody's and Fitch and not less than "A-1/P-1/F-1" by Standard & Poor's, Moody's and Fitch, respectively.

10. Corporate Bonds rated "Aa3/AA-" or better by Moody's and S&P.

11. Asset-Backed Securities rated "AAA" by Moody's and S&P.

12. Repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York ("Repurchasers"), collateralized by investments with a minimum 102% valuation in securities described above in paragraphs 1, 5 and 6.

13. Share or Certificates in any short-term investment fund that invests not less than 90% of its assets in obligations described in (1) or (2) above.

B. Diversification

1. No limitations are placed on Investments carrying the full faith and credit of the U.S. Government, including repurchase agreements collateralized by such investments.

2. Investments in any single Federal Agency not carrying the Full Faith and Credit of the U.S. Government are limited to 35% of the Portfolio.

3. Investments in Certificates of Deposit or Investment Agreements in total are limited to 30% of the Portfolio.

4. The combined exposure to Commercial Paper, Corporate Bonds and Asset-Backed Securities is limited to 35% of the total Portfolio.

5. Investments in any one single issuer (excluding U. S. Treasury and Federal Agency securities) are limited to 5% of the Portfolio.

C. Quality

All Investments shall be made with judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived.

All investment ratings shall be based on security ratings at the time of purchase. In the event of a downgrade in rating, the Portfolio Manager is to discuss such downgrade as soon as possible with the Chief Financial Officer or his designee with a recommendation on whether to sell or hold. The portfolio's average credit quality should be rated Aa3/AA- or better by Moody's / S&P.

D. Maturity

At the time of purchase, the maturity of each security in the Portfolio may not exceed five (5) years, taking into account any call, put, prepayment, or other features that may impact maturity. Similarly, the weighted average life of mortgages and asset-backed securities may not be more than 5 years.

E. Turnover

The Portfolio Managers shall follow a semi-active approach to investment management whereby investments are generally purchased with the intent of holding to maturity, but the Portfolio Managers have the flexibility to restructure and rebalance portfolio holdings to manage risk and take advantage of market opportunities.

D. <u>Performance Benchmark:</u>

A. The Portfolio Manager shall work with the Chief Financial Officer or his designee to develop appropriate benchmarks for the various funds invested by the Commission, and shall compare the returns of the individual Portfolio segments to such benchmarks.

E. <u>Periodic Review:</u>

The Investment Policy Committee of the Commission shall prepare an investment report to the Commissioners on a quarterly basis, including a management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the latest reporting period. Both Investment performance and conformity with this Investment Policy shall be reported.

F. <u>Amendments:</u>

This Investment Policy shall be reviewed annually by the Investment Policy Committee. Any amendments to the Investment Policy must be approved by the Commission.

This Policy Letter supersedes all previous Policy Letters on this subject.

PTC 502005539 (02/01)

	PENNSYLVANIA TURNPIKE COMMISSION POLICY AND PROCEDURE	Number:	7.3
		Approval Date:	4/20/04
		Effective Date:	5/05/04
Policy Subject: Debt Management Policy	*This is a statement of official Pennsylvania Turnpike Commission Policy*	Revised Date:	
	Responsible Department:	Treasury Management Dept.	

I. Purpose

The purpose of this policy is to establish sound, prudent and appropriate parameters and to provide guidance governing the issuance, management, continuing evaluation of and reporting on all debt obligations issued by the Pennsylvania Turnpike Commission ("Commission"), and to provide for the preparation and implementation necessary to assure compliance and conformity with this policy. Recognizing the importance and value to the Commission's creditworthiness and marketability of the Commission's bonds, this policy is intended to ensure that any and all potential debt structures comply with all applicable laws and regulations, as well as sound financial principles.

II. Policy Statement

Under the governance and guidance of its various Indentures, the Commission may periodically enter into debt obligations to finance the construction of infrastructure and other assets or to refinance existing debt for the purpose of meeting its responsibilities to users of the Turnpike. It is the Commission's desire and direction to assure that such debt obligations are issued and administered in such fashion as to obtain the best long-term financial advantage to the Commission.

The Commission will limit long-term borrowing to fund capital improvements, projects, or equipment that cannot be financed from current financial resources. In an effort to maximize capital funding availability, the Commission shall utilize a reasonable mix of borrowing and pay-as-you-go funding. The Commission will not fund current operations or normal maintenance from the proceeds of long-term financing.

The Commission shall seek to attain bond ratings so borrowing costs are minimized and access to credit is preserved. It is imperative that the Commission demonstrates to rating agencies, investment bankers, creditors and users of the Turnpike that Commission officials are following a prescribed financial plan and adhering to sound financial policy. The Commission will follow a practice of full disclosure by regularly communicating with bond rating agencies and Nationally Recognized Municipal Securities Information Repositions (NRMSR) to inform them of the Commission's current financial condition and future financial outlook.

The Commission will strive to review this Debt Management Policy on an annual basis and update it on a timely basis as necessary.

III. Uses

Bond proceeds are limited to financing the costs of planning, design, land acquisition, buildings, permanent structures, attached fixtures or equipment and "rolling stock" equipment. Acceptable uses of bond proceeds can be viewed as items that can be capitalized. Non-capital furnishings and supplies are not to be financed from bond proceeds. Refunding bond issues that are intended to restructure currently outstanding debt in order to reduce debt service costs are an acceptable use of bond proceeds.

The Commission may use short-term borrowing to finance operating needs but only in the case of an extreme financial liquidity condition that is beyond its control or reasonable ability to forecast.

IV. Decision Analysis

The Ten Year Capital Plan ("Capital Plan") is the process for identifying both short and long-term needs, establishing priorities, examining long-range financial implications and the overall effectiveness of funding such long term needs with debt. The Capital Plan will be prepared on an annual basis and will list each project and its priority, its estimated cost and proposed funding source. The Commission will measure the impact of total debt service requirements including both outstanding and proposed debt obligations on one, five, ten and thirty-year periods. This analysis will include debt service maturities and payment patterns.

The Commission will use the services of qualified internal staff and external advisors to assist in the analysis, evaluation, and decision process. In addition to debt analysis, the decision process may include financial, government and economic reviews. For example, potential funding streams may be identified and their respective financial and legal impacts assessed versus various alternatives.

V. Specific Debt Policies, Ratios and Measurement

This section of the Debt Management Policy establishes guidance for target debt policies, ratios and measurements for the Commission in the following categories:

A. Constraints, Ratios and Measurements

B. Measurements of Future Flexibility

A. Constraints, Ratios and Measures

The following constraints, ratios and measures shall govern the issuance and administration of debt obligations:

1. **Purposes of Issuance -** The Commission will issue debt obligations for acquiring, constructing, reconstructing or renovating Capital Improvements or for refinancing existing debt obligations for any other permitted purpose.

2. **Maximum Maturity -** All debt obligations shall have a maximum maturity of the earlier of: (i) the estimated useful life of the Capital Improvements being financed; or, (ii) thirty years (unless a longer term is recommended by external advisors): or, (iii), in the event they are being issued to refinance outstanding debt obligations, the final maturity of the existing debt obligations being refinanced, or the latest estimate of the useful life of the capital improvements originally financed with the refunded bonds.

3. **Annual Debt Service -** The Commission will strive to structure debt issues to maintain a level or declining overall annual debt service structure.

4. **Variable Rate Debt –** The Commission will strive to maintain unhedged variable rate debt levels no greater than 25% of its total outstanding debt. On a periodic basis the Commission will reassess its acceptable level of variable rate debt assets in order to maintain a relative balance that mitigates potential long-term interest rate risk exposure under conditions of either rising or declining market interest rates.

5. **Present Value Savings –** The Commission shall continually monitor its outstanding debt for the purpose of determining if existing financial marketplace conditions afford the Commission the opportunity to refund existing issues and lessen debt service costs. In order to consider and favorably recommend the possible refunding of an issue, the Commission will generally look to attain at least a minimum acceptable threshold level of net Present Value (PV) savings over the life of the respective issue.

6. **Bond Covenants and Laws -** The Commission shall comply with all covenants and requirements of the bond resolutions, and state and federal laws authorizing and governing the issuance and administration of debt obligations. Further, the Commission shall consult with bond counsel regarding any such legal issues.

7. **Rate Covenant as to Tolls for Traffic -** The Commission covenants that at all times it will establish and maintain schedules of tolls for traffic over the system so that net revenues will be sufficient to provide funds for the greater of:

    a. 130% of annual debt service for such fiscal year on all applicable long-term indebtedness; or

    b. 100% of maximum annual debt service on all applicable long-term indebtedness, plus amounts of required transfers to Reserve Maintenance Fund and amounts to restore deficiencies in the Debt Service Reserve Fund;

plus, in either such case, the amount of short-term indebtedness outstanding for more than a year. In addition, net revenue in excess of the sum of the amounts of (1) and (2) above, together with other revenues pledged to the payment of subordinated indebtedness, shall be sufficient to pay the annual debt service for any subordinated indebtedness.

Capitalized terms used on this page are defined in the Commission's restated indenture for its toll revenue bonds.

B. Measurements of Future Flexibility

The Commission's future flexibility is governed through the following Indenture covenants and policies:

1. **Limitations on Issuance of Additional Bonds –** The Commission agrees that it will not issue any additional bonds constituting long-term indebtedness unless the following conditions are met:

    a. Historical pro forma debt service coverage ratio for the most recent fiscal year was not less than 1.75.

    b. Net revenues of the Commission during the preceding fiscal year were at least 130% of the maximum annual debt service and the projected debt service coverage ratio is not less than 1.30.

2. **Structure of Additional Bonds -** The Commission will attempt to structure bond issues with call provisions consistent with current market conditions and with a goal to maximize flexibility with future refunding opportunities. The Commission may use premium or discount bonds to enhance the marketing of the bonds and will analyze the cost in relation to future refunding opportunities and impact on debt service. Finally, the Commission may consider using capitalized interest only if there are budgetary constraints that need to be addressed by phasing in debt service impact.

3. **Uncommitted General Fund Balance –** The Commission will adhere to its Liquidity Policy that requires minimum balances to be maintained at all times in the Reserve Maintenance Fund and General Reserve Fund. The Policy is specifically stated as follows:

    "The Pennsylvania Turnpike Commission will budget and maintain a cumulative Fund Balance, including cash balances in both the Reserve Maintenance Fund and the General Fund, equal to the greater of either the annual debt service of bonds not secured by a Debt Service Reserve Fund or 10% of annual budgeted revenues."

VI. Sale of Bonds

The Commission shall choose the method of sale of its bonds (competitive versus negotiated) in light of financial and market conditions as well as considering an assessment of the different benefits associated with each method.

The Commission shall require its financial advisor in conjunction with the senior underwriter(s) to prepare a marketing plan that includes recommended distribution rules (that will enhance the marketing effort), descriptions of similar transactions in the market place and their rates of interest, prevailing market information and any other financial information deemed relevant.

VII. Derivative Products

The Commission will consider the use of derivative products in connection with the overall debt plan as a means of reducing debt service costs, increasing flexibility, hedging interest rate risk and accessing different investor markets. Additionally, the Commission will strive to only use derivative products after an analysis of the economic benefit of the interest rate swap market in relation to traditional financing methods has been undertaken and indicates a significant financial economic benefit without excessive or unacceptable levels of risk.

The Commission will comply with prevailing state law, if any, regarding the use of derivative products as well as certain disclosure requirements as specified by the Governmental Accounting Standard Board ("GASB"). The GASB recently issued GASB Technical Bulletin No. 2003-1 in June 2003 that requires a governmental entity to provide additional disclosure of derivatives not reported at fair value on the statement of net assets. The Commission has decided to incorporate the technical bulletin requirements into its audited financial statements ending fiscal year May 31, 2003.

The Commission has developed a separate Interest Rate Swap Policy. The policy addresses such issues as Scope and Authority, Conditions for the Use of Interest Rate Swaps, Interest Rate Swap Features, Evaluation, Management and Monitoring of Interest Rate Swap Risks and Selecting and Procuring Interest Rate Swaps. The Commission's policy and guidelines regarding Interest Rate Swaps are documented in the Commission's Interest Rate Swap Policy.

VIII. Disclosure and Financial Reporting

The Commission will ensure that there is full and complete disclosure to rating agencies and other applicable regulatory bodies of all debt obligations. Offering documents for debt of the Commission shall also fully describe all outstanding debt as well all relevant information regarding the Commission and the particular financing transaction as required under federal securities law, subject to advice of bond counsel. The Commission will adhere to the guidelines for the financial reporting of debt obligations as recommended by the Government Accounting Standards Board ("GASB") or any other applicable regulatory agency.

	PENNSYLVANIA TURNPIKE COMMISSION POLICY AND PROCEDURE	Number:	7.6
		Approval Date:	04/20/2004
		Effective Date:	05/05/2004
Policy Subject: Liquidity Standard Policy	*This is a statement of official Pennsylvania Turnpike Commission Policy*	Revised Date:	
	Responsible Department:	Treasury Management Dept.	

A. Purpose:

The purpose of this policy is to ensure that the Pennsylvania Turnpike Commission will maintain minimum annual year-end fund balances for the ongoing level of uncommitted reserves necessary for the Commission to secure and protect its long-term debt.

B. General Policy:

The Pennsylvania Turnpike Commission will budget and maintain a cumulative fund balance, including cash balances in the Reserve Maintenance Fund and the General Reserve Fund, equal to the greater of either the maximum annual debt service on all bonds not secured by a Debt Service Reserve Fund or 10% of annual budgeted revenues.

	PENNSYLVANIA TURNPIKE COMMISSION POLICY AND PROCEDURE	Number:	7.7
		Approval Date:	4/20/04
		Effective Date:	5/05/04
Policy Subject: Interest Rate Swap Management Policy	*This is a statement of official Pennsylvania Turnpike Commission Policy*	Revised Date:	
	Responsible Department:	Treasury Management Dept.	

I. Introduction

The purpose of the Interest Rate Swap Policy ("Policy") of the Pennsylvania Turnpike Commission ("Commission") is to establish guidelines for the use and management of all interest rate management agreements, including, but not limited to, interest rate swaps, swaptions, caps, collars and floors (collectively "Swaps" or "Agreements") incurred in connection with the incurrence of debt obligations as authorized by the Commission's Debt Policy (attached as Exhibit A). The Policy sets forth the manner of execution of Swaps and Agreements, provides for security and payment provisions, risk considerations and certain other relevant provisions as well as being responsive to the proposed 2003 recommended practices of the Government Finance Officers Association regarding the contents of an interest rate swap policy. The failure by the Commission to comply with any provision of this Policy shall not invalidate or impair any Swap or Agreement.

II. Scope and Authority

This Policy shall govern the Commission's use and management of all Swaps. While adherence to this Policy is required in applicable circumstances, the Commission recognizes that changes in the capital markets, agency programs, and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy and will require modifications or exceptions to achieve policy goals.

The Chief Financial Officer and Director of Treasury Management are the designated administrators of the Commission's Policy. The Chief Financial Officer shall have the day-to-day responsibility and authority for structuring, implementing, and managing Swaps.

The Commission shall be authorized to enter into Swap transactions only with qualified Swap counterparties. The Commission, in consultation with the Chief Financial Officer, shall select the counterparties, in adherence with the criteria set forth in the Policy.

III. Conditions for the Use of Swaps

A. General Usage

The Commission will use Swaps to hedge interest rate movement, basis risk and other risks, to lock-in a fixed rate or, alternatively, to create synthetic variable rate debt. Swaps may also be used to produce interest rate savings, limit or hedge variable rate payments, alter the pattern of debt service payments, manage exposure to changing market conditions in advance of anticipated bond issues (through the use of anticipatory hedging instruments) or for asset/liability matching purposes.

B. Maximum Notional Amount

The Commission will limit the total notional amount of outstanding Swaps based on criteria set forth in this Policy regarding the proper management of risks, calculation of termination exposure, and development of a contingency plan. In no event, however, shall the Commission's exposure to any counterparty rated A/A- or lower exceed 50% of the Commission total debt.

C. Impact of use of Liquidity

The Commission shall consider the impact of any variable rate bonds issued in combination with a Swap on the availability and cost of liquidity support for other Commission variable rate programs.

D. Call Option Value Considerations

When considering the relative advantage of a Swap versus fixed rate bonds, the Commission will take into consideration the value of any call option on fixed rate bonds.

E. Qualified Hedges

The Commission understands that, (1) if payments on and receipts from the Agreement are to be taken into account in computing the yield on the related bonds, the Agreement must meet the requirements for a "qualified hedge" under federal tax law (sometimes referred to as an "integrated" Swap); and (2) if one of the goals of entering into the Agreement is to convert variable yield bonds into fixed yield bonds (sometimes referred to as a "super integrated swap"), then certain additional requirements must be met. In both of these situations, the terms of the Agreement and the process for entering into the Agreement must be reviewed and approved in advance by tax counsel.

F. Evaluation of Swap Risks

Prior to the execution of any Swap transaction, Commission Chairman, the Chief Financial Officer, the Director of Treasury Management, and Commission's Financial Advisor, Swap Advisor and Bond Counsel shall evaluate the proposed transaction and report the findings. Such a review shall include the identification and evaluation of the proposed benefit and potential risks.

Evaluation Methodology:

The Commission will review the following areas of potential risk for new and existing Swaps:

Type of Risk	**Description**	**Evaluation Methodology**
Basis risk	The mismatch between actual variable rate debt service and variable rate indices used to determine Swap payments.	The Commission will review historical trading differentials between the variable rate bonds and the index.
Tax risk	The risk created by potential tax events that could affect Swap payments.	The Commission will review the tax events in proposed Swap agreements. The Commission will evaluate the impact of potential changes in tax law on LIBOR indexed Swaps.
Counterparty risk	The failure of the counterparty to make required payments.	The Commission will monitor exposure levels, ratings thresholds, and collateralization requirements.
Termination risk	The need to terminate the transaction in a market that dictates a termination payment by the issuer.	The Commission will compute its termination exposure for all existing and proposed Swaps at market value and under a worst-case scenario.
Rollover risk	The mismatch of the maturity of the Swap and the maturity of the underlying bonds.	The Commission will determine, in accordance with its Debt Policy, its capacity to issue variable rate bonds that may be outstanding after the maturity of the Swap.
Liquidity risk	The inability to continue or renew a liquidity facility.	The Commission will evaluate the expected availability of liquidity support for swapped and unhedged variable rate debt.
Credit risk	The occurrence of an event modifying the credit rating of the issuer or its counterparty.	The Commission will monitor the ratings of its counterparties and insurers.

IV. Award

The Swap must contain financial terms and conditions that are fair and reasonable to be evidenced in a letter from a qualified independent Swap Advisor.

V. Swap Features

A. Swap Agreement

The Commission will use terms and conditions as set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement. The Swap agreement between the Commission and each counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as the Commission, in consultation with its legal counsel and Swap Advisor, deems necessary or desirable.

Subject to the provisions contained herein, the terms of any Commission Swap agreement shall use the following guidelines:

i. Downgrade provisions triggering termination shall in no event be worse than those affecting the counterparty.

ii. Governing law for Swaps will be the State of New York. Issues relating to jurisdiction, venue, waiver of jury trial and sovereign immunity will be subject to prevailing law and approval of the Commonwealth Attorney General. Preference will be given to language providing that the counterparty will consent to jurisdiction in the Pennsylvania courts with respect to enforcement of the Agreement.

iii. The specified indebtedness related to credit events in any Swap agreement should be narrowly defined and refer only to indebtedness of the Commission that could have a materially adverse effect on Commission's ability to perform its obligations under the Swap. Debt should typically only include obligations within the same lien as the Swap obligation.

iv. Collateral thresholds for the Swap provider should be set on a sliding scale reflective of credit ratings. Collateral requirements should be established and based upon the credit ratings of the Swap provider or guarantor. The Trustee or an independent third party or the counterparty if so directed should hold collateral.

v. Eligible collateral should generally be limited to Treasuries and obligations of Federal Agencies where the principal and interest are guaranteed by the United States. The market value of the collateral shall be marked to market no less than Bi-Monthly.

vi. Commission shall have the right to optionally terminate a swap agreement at "market," at any time over the term of the agreement.

vii. Termination value should be set by "second method" and "market quotation" methodology, unless the Commission deems an alternate appropriate.

B. Swap Counterparties

1. Credit Criteria

The Commission will make its best efforts to work with qualified Swap counterparties that have a general credit rating of: (i) at least “A3” or “A-” by two of the nationally recognized rating agencies and not rated lower than “A3” or “A-” by any nationally recognized rating agency, or (ii) have a “non-terminating” “AAA” subsidiary as rated by at least one nationally recognized credit rating agency. The nationally recognized rating agencies are Moody’s Investors Services, Inc., Standard and Poor’s Rating Services, and Fitch Ratings.

In addition to the rating criteria specified herein, the Commission will seek additional credit enhancement and safeguards in the form of:
Contingent credit support or enhancement;
i. Collateral consistent with the policies contained herein;
ii. Ratings downgrade triggers;
iii. Guaranty of parent, if any.

In addition, qualified Swap counterparties must have a demonstrated record of successfully executing Swap transactions as well as creating and implementing innovative ideas in the Swap market.

2. Counterparty Termination Exposure

In order to manage the Commission’s counterparty credit risk, and credit exposure to any one counterparty, the Commission will determine and evaluate its exposure to the proposed counterparty or counterparties. The exposure should be measured in terms of notional amount, mark to market valuation and volatility.

C. Term and Notional Amount

For Swaps tied to an issued series of bonds, the term of the Swap agreement shall not extend beyond the final maturity date of the related bonds. The total net notional amount of all Swaps related to a bond issue should not exceed the amount of outstanding bonds. In calculating the net notional amount, netting credit shall be given to any Swaps that offset each other for a specific bond transaction.

D. Security and Source of Repayment

The Commission may use the same security and source of repayment (pledged revenues) for Swaps as is used for the bonds that are hedged or carried by the Swap, if any, but shall consider the economic costs and benefits of subordinating the Commission’s payments and/or termination payment under the Swap. The Commission shall consult with Bond Counsel regarding the legal requirements associated with making the payments under the Swap on a parity or non-parity basis with outstanding Commission debt.

E. Prohibited Agreements

The Commission will not use Agreements that:

i. Are speculative or create extraordinary leverage as risk;
ii. Lack adequate liquidity to terminate without incurring a significant bid/ask spread;
iii. Provide insufficient price transparency to allow reasonable valuation.

VI. Managing Ongoing Swap Risks

1. Annual Swap Report

The Director of Treasury Management, in consultation with the Commission's Financial Advisor, Swap Advisor and Bond Counsel, will evaluate the risks associated with outstanding Swaps at least annually and provide to the Senior Executives and the Commissioners a written report of the findings. This evaluation will include the following information:

i. A description of all outstanding Swaps, including related bond series, types of Swaps, rates paid and received by Commission, existing notional amount, the average life and remaining term of each Swap agreement, and the current mark to market value of all outstanding Swaps.
ii. Separately for each Swap, the actual debt service requirements versus the projected debt service on the Swap transaction; and for any Swaps used as part of a refunding, the actual cumulative savings versus the projected savings at the time the Swap was executed.
iii. The credit rating of each Swap counterparty, parent, guarantor, and credit enhancer insuring Swap payments, if any.
iv. Actual collateral posting by Swap counterparty, if any, per Swap agreement and in total by Swap counterparty.
v. Information concerning any material event involving outstanding Swap agreements, including a default by a Swap counterparty, counterparty downgrade, or termination.
vi. An updated contingency plan to replace, or fund a termination payment in the event an outstanding Swap is terminated.
vii. The status of any liquidity support used in connection with Swaps, including the remaining term and current fee.

The Director of Treasury Management shall review the Policy at least annually, and suggest revisions or updates as deemed appropriate.

2. Contingency Plan

   The Director of Treasury Management, in consultation with the Commission's Financial Advisor, Swap Advisor and Bond Counsel, shall compute the mark to market exposure of each of its Swaps and its total Swap mark to market exposure at least annually and prepare a contingency plan to either replace the Swaps or fund the termination payments, if any, in the event one or more outstanding Swaps are terminated. The Director of Treasury Management shall assess the ability to obtain replacement Swaps and identify revenue sources to fund potential termination payments. The Director of Treasury Management shall also evaluate the economic costs and benefits of incorporating a provision into the Swap agreement that will allow the Commission to make termination payments over time.

3. Termination Matrix

   The Director of Treasury Management, in consultation with the Commission's Financial Advisor, Swap Advisor and Bond Counsel, shall prepare a matrix for each individual Swap and for all Swaps in the aggregate setting forth the termination costs under various interest rate scenarios.

A. Terminating Interest Rate Swaps

1. Optional Termination

   The Commission, in consultation with its Financial Advisor, Swap Advisor and Bond Counsel, may terminate a Swap if it is determined that it is financially advantageous.

2. Mandatory Termination

   In the event a Swap is terminated as a result of a termination event, such as a default or a decrease in credit rating of either the Commission or the counterparty, the Director of Treasury Management, in consultation with its Financial Advisor, Swap Advisor and Bond Counsel, will evaluate whether it is financially advantageous to obtain a replacement swap, or, depending on market value, make or receive a termination payment.

   In the event the Commission makes a Swap termination payment, the Commission shall attempt to follow the process identified in its Swap contingency plan.

VII. Selecting and Procuring Interest Rate Swaps

A. Financing Team

The Commission will retain the services of a nationally recognized municipal bond counsel firm, and a qualified financial advisor and Swap advisor for all Swaps.

B. Underwriter Selection

In the event bonds are issued in connection with Swaps, the Commission will price the bonds according to the guidelines set forth in its Debt Policy.

C. Counterparty Selection

The Commission may use a competitive or a negotiated process to select a Swap counterparty and price a Swap as it believes business, market or competitive conditions justify such a process. The conditions under which a negotiated selection is best used are provided below.

i. Marketing of the Swap will require complex explanations about the security for repayment or credit quality.
ii. Demand is weak among swap counterparties.
iii. Market timing is important, such as for refundings.
iv. Coordination of multiple components of the financing is required.
v. The Swap has non-standard features, such as one way collateral.
vi. Bond insurance is not available or not offered.
vii. The par amount for the transaction is significantly larger than normal.
viii. Counterparties are likely to demand individual changes in bid documents.
ix. Pricing transparency.

VIII. Disclosure and Financial Reporting

The Commission will ensure that there is full and complete disclosure of all Swaps to rating agencies, and in disclosure documents. Disclosure in marketing documents, including Bond offering documents, shall provide a clear summary of the special risks involved with Swaps and any potential exposure to interest rate volatility or unusually large and rapid changes in market value. With respect to its financial statements, the Commission will adhere to the guidelines for the financial reporting of Swaps, as set forth by the Government Accounting Standards Board or other applicable regulatory agencies.

Glossary of Terms

Asset/Liability Matching: Matching the term and amount of assets and liabilities in order to mitigate the impact of changes in interest rates.

Bid/Ask Spread: The difference between the bid price (at which a market maker is willing to buy) and the ask price (at which a market maker is willing to sell).

Call Option: The right to buy an underlying asset (e.g. a municipal bond) after a certain date and at a certain price. A call option is frequently embedded in a municipal bond, giving the issuer the right to buy, or redeem, the bonds at a certain price.

Collateral: Assets pledged to secure an obligation. The assets are potentially subject to seizure in the event of default.

Downgrade: A negative change in credit ratings.

Forward Starting Swap: Swaps that start at some time in the future. Used to lock-in current interest rates.

Hedge: A transaction that reduces the interest rate risk of an underlying security.

Interest Rate Swap: The exchange of a fixed interest rate and a floating interest rate between counterparties.

Liquidity Support: An agreement by a bank to make payment on a variable rate security to assure investors that the security can be sold.

LIBOR: The London Interbank Offer Rate. Used as an index to compute the variable rate on an interest rate swap.

Notional Amount: The amount used to determine the interest payments on a swap.

Offsetting Swap: Secondary interest rate Swap that is placed in an opposite direction from the primary interest rate Swap. The offsetting Swap is used to minimize Swap risks associated with the use of Swaps and potentially gain monetary value from the transaction.

Termination Payment: A payment made by a counterparty that is required to terminate the Swap. The payment is commonly based on the market value of the Swap, which is computed using the rate on the initial Swap and the rate on a replacement Swap.