

Southwestern Pennsylvania Commission
Minutes of the Meeting of
December 16, 2013
Two Chatham Center • Suite 400 • 112 Washington Place • Pittsburgh, PA 15219

The one hundred fifth meeting of the Southwestern Pennsylvania Commission was called to order by Chairman Rod Ruddock.

Members present were: Alfred Ambrosini, Chuck Anderson, Robert Brooks, Ricky Burgess, Tom Ceraso, Daniel Cessna, Tyler Courtney, Albert D'Alessandro, Terry Daughenbaugh, Mary Ann Eisenreich, Rich Fitzgerald, Joe Grata, David Johnston, Fred Junko, Clifford Levine, Robert Macey, Larry Maggi, Jeff Marshall, Robbie Matesic, Kevin McCullough, Ellen McLean, David Miller, A. Dale Pinkerton, James Ritzman, Marc Roncone, Rod Ruddock, Dan Shimshock, Joe Spanik, Byron Stauffer, Jr., Wendy Stern, James Struzzi, Archie Trader, Dwan Walker, and Blair Zimmerman.

Members absent were: Tony Amadio, David Battaglia, Robert Bower, Brigid Hynes-Cherin, Jack Cohen, Steve Craig, Robert Del Signore, Joseph Dubovi, Patricia Evanko, Rich Fink, David Frick, Jim Gagliano, Jr., Kelly Gray, Lynn Heckman, Bruce Mazzoni, William McCarrier, Laura Mohollen, Charles Morris, Dennis Nichols, Rich Palilla, Luke Ravenstahl, Carmen Rozzi, Robert Rubinstein, Harlan Shober, Renee Sigel, Michael Silvestri, Mark Snyder, Joe Szczur, Diana Ireya Vaughan, Daniel Vogler, Christopher Wheat, Angela Zimmerlink, and Yarone Zober.

Others: Karen McCarthy, Janet Feick, Maher Duessel, CPAs; Brian Allen, PennDOT District 10-0; Lucinda Beattie, Pittsburgh Downtown Partnership; and Alexandra Junko.

Staff: Jim Hassinger, Kirk Brethauer, Kathleen Colbert-Gibson, Chuck DiPietro, Chuck Imbrogno, Vince Massaro, Shannon O'Connell, Dee Pamplin, Kathy Stefani, Kay Tomko, Lew Villotti, and Sara Walfoort.

1. Action on Minutes of the October 28th Meeting

A motion was made to approve the minutes of the October 28, 2013 meeting of the Southwestern Pennsylvania Commission by Commissioner Pinkerton which was seconded by Tom Ceraso. The affirmative vote to approve the minutes was unanimous.

2. Public Comment - None

3. Presentation of 2012-2013 Annual Audit Report – Karen McCarthy, Maher Duessel, CPAs

Karen McCarthy, Senior Manager at Maher Duessel introduced Janet Feick, also a Manager, as the person who supervised the everyday audit process at SPC. The audit was completed in October, and they were able to meet with the SPC Audit Committee in mid-November to review the audit in detail. Today, I would like to give the Commission a review of the audited financial statements finalized for FY2013. Included in our audit report is a letter that we call Communication To Those Charged With Governance. This letter is a brief communication to the Commission that summarizes the results of the audit. It details our responsibility as auditors as opposed to management's responsibility. The financial statements prepared by management with your oversight are fairly presented in all material

respects and are in conformity with accounting principles generally accepted in the U.S. During the year, SPC had three new accounting policies adopted. Disclosures in the financial statement that I would like to highlight are footnote six, the loan receivable footnote and a contingency footnote eight. There were no difficulties in performing the audit and the auditors received full cooperation from management and staff.

David Miller asked Ms. McCarthy to explain the relationship between contingency disclosure number eight, what are you disclosing? Are you saying as the auditing firm, that you are taking on face value the representations of management or have you disclosed that you are making a statement on the liabilities associated with these contingencies. Ms. McCarthy responded the contingency footnote has two parts; the first paragraph talks about your dealing with government grants. When dealing with government grants, there is always the potential when government auditors come in, and look at the allowable costs or particular aspects of a grant, there could be some discussion on some of that money being returned. Maybe you didn't meet all the qualifications of that grant. Maher Duessel did not find anything that we felt was a questionable cost. The second part is that you always run the risk of loss due to normal business operations. Again, since we didn't see anything, it's a general contingency type of nature. Mr. Miller again asked, what is being disclosed? Ms. McCarthy responded that the disclosure is that there could potentially be a liability. There is nothing specific; it's the nature of the operations and the nature of SPC's grants.

Ms. McCarthy went on to say before continuing with the Single Audit Report, that those of us who have been around for some years recall that we have issued a Primary Government Report that only reported on the activities of the Commission. With the Regional Enterprise Tower operations no longer a part of this entity, that report is no longer useful. Continuing with the Single Audit Report she directed the Commission to the independent auditors report. Having spent more than \$500,000 of federal dollars you are required to have a single audit. There were no findings, no questionable costs related to the work performed related to the single audit. That focuses on reporting and compliance issues specifically related to certain federal dollars and programs. Finally, we received wonderful cooperation from Vince and his staff. All inquiries were met with full disclosure and all books and records were kept in good order.

4. Financial Report – Vince Massaro

Mr. Massaro reported on the financials for the four month period July 1, 2013 thru October 31, 2013 for the Corporation and Commission. Under revenues we have actual encumbered revenues to date of \$7.5M compared to the approved annual budget of \$16M. This reflects 46.8% of the budget recognized and encumbered to date. All federal, state and local funding agreements have been fully executed. Other funding sources \$1.2M which deals with the CMU project of the Adaptive Signal Project agreements have been signed. Under the SPRC Operating Funds \$21M was budget, only \$442 were expensed. That large amount deals with the legal fees we may incur related to the dissolution of the SPRC. We have until June 30, 2014 to make the determination to dissolve that entity. Operating expenditures recorded and encumbered to date are \$7.5M the approved annual budget is \$16M for 46.8% of the budget. The Commission accepted the financial report as presented.

Next, Chairman Ruddock welcomed new members and representatives who were attending the Commission meeting for the first time.

Chairman Ruddock asked Mary Ann Eisenreich of the Governor's office if she would like to give comment specific to the Transportation Funding Legislation. Ms. Eisenreich welcomed the opportunity to thank those who helped get the transportation bill passed. Particularly the county commissioners who put forth an effort with their economic development people and their legislators.

5. Approved PA Transportation Funding Legislation – Jim Ritzman

Mr. Ritzman was also appreciative of everybody's efforts in getting this transportation bill passed. The Comprehensive Transportation Funding Plan (Act 89) included in today's packet paints a five-year prospective of what's going to happen with the individual modes. The first part will go mainly toward transportation.

Investing in Pennsylvania

- A \$2.3 billion dollar investment will generate a net of 62,000 jobs. 50,000 new jobs will be created, and 12,000 additional jobs will be preserved.
- Thousands of bridges and more than 10,000 roadway miles will be improved or rebuilt with new investment.
- Pennsylvania will remain economically competitive with neighboring states that have already recognized the importance of investing in infrastructure.
- Historic investment in statewide public transportation will ensure crippling service cuts are avoided and vital needs of groups that depend on these services are met.

Eliminating and Deregulating Taxes

- Eliminates the state retail gas tax (12 cents) paid at the pump, effective Jan. 1, 2014, replacing it with an equivalent increase in the Oil Company Franchise Tax (OCFT), charged at the wholesale level.
- Removes the artificial cap on the OCFT in thirds over five years.
- Counties and municipalities receive proportionally the same investment from the OCFT increase replacing the retail gas tax as they receive today from the 12 cent gas tax.

Local Governments

- Will provide an additional \$220 million a year in Liquid Fuels allocations statewide for locally owned roads and bridges by the fifth year - a more than 60 percent increase over current allocations to local governments.
- Up to \$40 million in grant money by state fiscal year 2016-17 will be provided to coordinate traffic signals to alleviate congestion and save fuel. PennDOT and municipalities would each contribute 50 percent of the cost.
- Up to \$8 million will be made available annually for the paving of low-traffic-volume rural roads as part of a \$35 million Dirt & Gravel Roads program.
- There will be a savings of up to 100 percent of the required local match, per bridge, for municipalities that participate in PennDOT's bridge bundling program.
- Counties will have the option to assess a \$5 vehicle registration fee to generate additional revenue for their transportation needs.
- Provides incentives, including local match waivers, for transit agencies to consolidate in regions if consolidation studies show potential for cost savings and efficiencies.
- These measures provide additional assistance to municipalities and counties to help ease the pressure on property taxes.

Additional Benefits

- Provides for multi-modal investment grants that, beginning in 2015, growth indexed to inflation:
 - Aviation - \$5 million (FY 13/14) \$6 million (FY 14/15); Freight rail - \$8 million (FY 13/14) \$10 million (FY 14/15); Passenger Rail - \$6 million (FY 13/14) \$8 million (FY 14/15); Ports - \$8 million (FY 13/14) \$10 million (FY 14/15); Bicycle/Pedestrian - \$2 million (both FYs).
- Authorizes PennDOT to establish an Alternative Energy Capital Investment Program for public transportation providers to invest in equipment and facility upgrades to utilize alternative technologies such as hybrid and natural gas.
- The plan modernizes the 52-year old prevailing wage threshold for locally funded transportation projects, increasing it from \$25,000 to \$100,000.
- Under the plan, the Pennsylvania Turnpike Commission's \$450 million annual commitment mandated by Act 44 of 2007 remains through fiscal year 2021-2022 and is then reduced to \$50 million annually.
- PennDOT's Next Generation initiative to become a better business partner, modernize operations and further implement work sharing will continue to yield more than \$65 million in annual savings.
- Increases refunds to the Pa. Fish & Boat Commission for gas receipts from recreational boating.
- Increases truck weight allowances for vehicles hauling unpackaged bulk, evaporated and condensed milk up to a 95,000-pound gross weight so PA dairy farmers can remain competitive with farmers in neighboring states.
- Provides road-damage financial relief for low-volume haulers and distressed industries like timber and coal.
- Creates a pilot project to test and evaluate new models of paying for and delivering shared-ride and community transportation.
- Provides funding for 10 critical transit services (referred to as "orphan" projects because there was no established, ongoing funding sufficient to maintain them) in the Pittsburgh and Philadelphia areas that provide 30,000 riders with access to work, VA centers and shopping.

Modernizing Existing Law

- Optional two-year vehicle registration for most vehicle classes effective in three years, with registration stickers eliminated as of Dec. 31, 2016. PennDOT estimates \$1 million in annual savings from sticker elimination alone, with additional efficiencies and customer convenience being realized due to a more streamlined process.
- Adjusts the \$25 summary offense fine assessed under Title 75, Section 3111-Failure to Obey Traffic Control Devices (no points), to \$150, with none of the costs or surcharges that currently add \$87 to the summary offense (MCARE, court costs, etc.).
- Offers \$500 fee in lieu of three-month registration plate suspension for insurance lapse.
- The fee to register a passenger car remains \$36 until being indexed to inflation beginning on July 15. Assuming 3 percent annual inflation, that would increase to an estimated \$40 by the 2017/18 state fiscal year.
- The fee for a four-year driver's license (not including \$8.50 photo fee) remains \$21 until being indexed to inflation beginning on July 15. Assuming 3 percent annual inflation, that would increase to an estimated \$23 by the 2017/18 state fiscal year.

- The plan also gives PennDOT authority to bond up to \$500 million. Repayment would be from the Motor License Fund and bond money may only be used for projects specifically itemized in a capital budget itemization bill.

Commissioner Zimmerman asked how much effort was put into the bridge weight reduction. There was a specific bridge leading into a plant where the weight reduction was significant and the plant was going to be closed. Several hundred people would lose their jobs. What kind of effort and engineering was done to close this facility? What are we to do? When is the weight limit to be reevaluated? Mr. Ritzman responded that it's a case by case basis but now there is a resource to look at the list of projects. Check PennDOT's website with a decade of investment these are the bridges we thought we would be able to get to. If there are different bridges, we need to make a collective decision of where the priorities are with economics being a huge piece of that decision making process.

Further question and discussion continued on utilization of funds for replacement and repair of bridges in our region.

6. 2015-2018 TIP Status Report – Chuck DiPietro

Chuck DiPietro directed the Commission to the handout in the packet and he also reinforced some of Mr. Ritzman's points. (See details in Commissioner's 2015 TIP Update Status Briefing Handout – December 16, 2013.)

2015 TIP Update Status

- Recent Activities
- At this Time in the Process
- Upcoming Milestones & Schedule

PPP TIP Update Meetings Summary

- State & Federal Funding – Act 89 and MAP-21
- MAP-21 Implications – no bridge programs; NHFP/STP challenge; highway trust fund fiscal cliff
- Candidate Project Status – SPC online survey; LPN screening forms; SPC project evaluation results
- Specific Transportation Issues from each county PPP meeting
- SPC Public Participation Webpage – launch expected in January

7. National Highway Primary Freight Network Designation – Sara Walfoort

Ms. Walfoort began by giving a description of the Highway Primary Freight Network: In General - It is the policy of the United States to improve the condition and performance of the national freight network to ensure that the national freight network provides the foundation for the United States to compete in the global economy and achieve each goal described in subsection (b).

National Network – 3 Elements

- A primary freight network, the *most critical* to the movement of freight;
- The portions of the Interstate System not designated as part of the PFN; and

- Critical rural freight corridors

Criteria for inclusion in PFN

- O/D traffic volumes
- Freight tonnage / freight value
- % of truck traffic daily
- Annual truck traffic
- Ports of entry
- Access to energy areas
- Population centers
- Network connectivity

Critical Rural Corridors

- (e) **Critical Rural Freight Corridors.** — A State may designate a road within the borders of the State as a critical rural freight corridor if the road—
 - (1) is a rural principal arterial roadway and has a minimum of 25 percent of the annual average daily traffic from trucks
 - (2) Provides access to energy exploration, development, installation, or production areas;
 - (3) Connects the primary freight network or Interstate System to facilities that handle more than—
 - (A) **50,000 20-foot equivalent units per year; or**
 - (B) **500,000 tons per year of bulk commodities.**

Opportunity for Comment

- Published in Federal Register on Nov 19
- 30 day public comment period has been extended
- Public comment closes Jan 16, 2014

Input Considered

- Purpose of PFN is unclear
- Network connectivity impossible as proposed; corridor approach preferred
- PFN should include ALL interstate miles, and build from there

Regional Considerations

- What is PURPOSE of PFN designation?
 - **Funding, regulatory, operations?**
- SPC region not served on PFN from any international port or point of access
- Specific additions/deletions
- Energy exploration areas are not well supported

Next Steps

- Are we interested in making formal comment?
- Partner with PennDOT, others?
- Collect, compile and submit formal comment
- Submit comments by January 16, 2014

8. Other Business/Announcements – Jim Hassinger

Mr. Hassinger added that our next steps on submitting comments to the Federal Register by the January 16 deadline on the National Highway Priority Freight Network designation are clear, making sure that we are coordinated with PennDOT in submitting our comments directly or jointly.

Mr. Hassinger announced the Beaver County and Southwest PA Manufacturing Community Roundtable event in Beaver County this week sponsored by the Federal government. Mr. Spanik briefly described that the federal government did a survey across the country and picked locations where they would put on a program on manufacturing and Brownfield sights, and Beaver County was selected. Mr. Hassinger will be speaking one day of this two-day meeting, along with Lew Villotti.

Other items coming up soon are the 2014 SPC Business Finance Assistance Program Seminar, January 16, 2014 at the SPC Conference Center. This event will provide an overview of the available state loan programs offered through DCED, and will feature a full slate of local partners, moderated by SPC staff. There is SPC's Spring Regional Freight Conference, May 21, 2014 at Sheraton Station Square. This is linked with the Pennsylvania Rail Freight Conference, hosted by SPC, May 21-22, 2014, also at Sheraton Station Square. SPC's next meeting date will be the Annual Meeting, January 27, 2014.

9. New Business - None

10. Adjourn

There being no more business to come before the Commission, the meeting adjourned at 5:55 P.M.

Respectfully Submitted

Charles Anderson
Secretary-Treasurer