

**Statement from Maine Turnpike Authority Chairman Gerard P. Conley, Sr.
Regarding the OPEGA Report on the MTA
Delivered to the Maine Legislature's Government Oversight Committee
Friday, January 28, 2011**

Good morning Senator Katz, Representative Burns and distinguished members of the Government Oversight Committee.

My name is Gerard P. Conley, Sr. and—as Chairman of the Maine Turnpike Authority—I am grateful for the opportunity to appear before you. Joining me today are MTA Vice Chairman Lucien Gosselin—who also heads up our Finance & Audit Committee—and MTA Executive Director Paul Violette.

On behalf of my fellow board members and the Maine Turnpike Authority staff, I would like to personally thank Director Beth Ashcroft and her colleagues at the Office of Program Evaluation & Government Accountability for their thorough and thoughtful review of the MTA.

It was an enlightening experience that reaffirmed the MTA's many positive attributes while identifying areas we all agreed could use some improvements. As a result, several MTA practices will be formalized and, where needed, new policies and procedures will be created—all with an eye toward increased transparency and accountability.

Although the rigorous and broad-ranging nature of the audit meant a significant investment of time, energy and capital from both MTA and OPEGA, we're confident it will pay dividends by making our already solid organization even better. A detailed action plan specifically addressing OPEGA's recommendations—and endorsed by both OPEGA and the MTA—was included as an appendix to the report.

As you know, the Maine Turnpike Authority operates under a legal framework that is unique among political entities in Maine. The MTA was intentionally designed by its enabling statute to be a self-sufficient entity that is funded solely from its own revenues. However, while not operated or funded by the state government, the MTA serves a function that is governmental and is given various governmental powers to accomplish that function.

This quasi-governmental status presented OPEGA with a dilemma: whether to measure the MTA according to standards followed by state agencies such as the Maine Department of Transportation, or those ascribed to private business enterprises. In the end, OPEGA held the MTA accountable to *both* sets of standards and its findings were largely complimentary.

With that in mind, there are a few areas of the report we feel deserve some additional comment. More detailed comments are included in the attachment to the MTA's formal response letter, which can be found at the end of the report.

- First, with regard to OPEGA's third-party review of our bond resolution, we're pleased the independent agency's analysis recognizes that legislative action regarding the MTA has the potential to affect our bond ratings and may also raise constitutional issues because of the bond resolution's status as a legally binding contract. We think having an independent source to go to for information on these issues will assist the legislature in future MTA-related deliberations.

- Next, with regard to bringing increased transparency and accountability to our engineering procurement practices, the MTA has developed a detailed proposal that takes on more engineering work in-house; formalizes our relationship with HNTB; and opens up to competition some functions currently performed by HNTB.
- Regarding expenses, we agree with OPEGA that the MTA's expenditures are generally consistent with the culture of a regulated private entity that is "financially sound ... values quality ... desires to stay current ... and believes in being a good corporate citizen." We believe the costs associated with maintaining those tenets are far outweighed by the more efficient and economic delivery of services to our customers and the communities we serve.
- OPEGA was also asked to determine whether the MTA's expenses were "reasonable." While they did not flag any expenses as *unreasonable*, OPEGA did identify some expenses that "might be questioned" strictly from the perspective of a government entity. I'd like to emphasize that a major component of this group—travel and subsistence expenses—decreased by 67.8 percent over the five-year review period and continues to decline to this day.
- Regarding the question of an operating surplus, the MTA believes the statute adopted by referendum in 1991 has served its function well and we disagree with OPEGA's premise that it is ambiguous to the extent that it requires amendment. Nonetheless, this issue will be examined further this session as the Transportation Committee considers LR 1792, a bill Senator Hill of York has introduced regarding the MTA's operating surplus.
- Lastly, with regard to our budget, OPEGA found that the Transportation Committee has always been pleased with the level of detail provided by the MTA during the budget approval process, but did comment on a need for some clarification regarding which expenses were paid from our Reserve Maintenance Fund. We have proposed a solution whereby we would modify the budget's format as well as conduct an analysis to determine whether some expenses should be shifted from Reserve Maintenance to the Revenue Fund.

In conclusion, I'd like to note that the OPEGA staff's professionalism, candor and cooperative spirit were greatly appreciated by the MTA and proved instrumental in achieving a reasonable set of mutually agreeable solutions to the issues identified. I'm happy to say that the MTA has already begun implementing several of these corrective actions, and that the MTA Board, management and staff are committed to fully embracing the proposed policy and procedural enhancements.

My thanks again to the Committee for the opportunity to address you today.

My MTA colleagues and I would be happy to answer any questions you may have regarding the report.