

TRAFFIC ENGINEER'S ANNUAL LETTER REPORT

Florida's Turnpike System | Fiscal Year Ended June 30, 2016



Florida Department of Transportation

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Mr. Bren Dietrich, C.P.A.
Chief Financial Officer, Florida's Turnpike Enterprise
Florida Department of Transportation
Florida's Turnpike, Milepost 263
Building 5315, Turkey Lake Service Plaza
Ocoee, Florida 34761

December 6, 2016

Dear Mr. Dietrich:

AECOM is pleased to submit this Traffic Engineer's Annual Letter Report on Florida's Turnpike for the fiscal year ended June 30, 2016, in accordance with our role as the Traffic Engineering Consultant for the Florida Turnpike Enterprise. The 1989 Turnpike Revenue Bond Resolution, under Section 5.14, requires the Traffic Engineer to annually provide a traffic and earnings report to the Department.

BACKGROUND

Florida's Turnpike Enterprise, created in Fiscal Year (FY) 2002 pursuant to Florida Statute Section 338.22, consists of the Turnpike System, as well as six Department-owned and two Department-operated toll facilities in the State. For the purpose of this report, traffic and revenue information for FY 2016 is reported only for those facilities that are part of the Turnpike System (referred to herein interchangeably as "Turnpike" or "Turnpike System"). Similar information for the same period on Department-owned and operated facilities is included in a separate report.

The Turnpike System consists of several components; the principal one is the Mainline with a length of 320 miles. The Mainline includes five different subcomponents: SR 821 (Homestead Extension of Florida's Turnpike - HEFT), the Southern Coin System, the Ticket System, the Northern Coin System and the Beachline West Expressway. The first four segments of the Mainline are continuous with a north-south direction extending 312 miles from Florida City in southern Miami-Dade County to I-75 at Wildwood in Sumter County to the north. The fifth segment, the 8-mile Beachline West Expressway, intersects with the Northern Coin System in Orlando and has an east-west orientation.

The Turnpike also owns and operates nine expansion projects that are currently open to traffic: Sawgrass Expressway in Broward County; Seminole Expressway in Seminole County; Veterans Expressway in Hillsborough County; Southern Connector Extension in Orange and Osceola counties; Polk Parkway in Polk County; Suncoast Parkway in Hillsborough, Pasco and Hernando counties; Western Beltway, Part C in Orange and Osceola counties; the I-4 Connector in Hillsborough County; and the Beachline East Expressway in Orange and Brevard Counties.

In addition, a new expansion project, the First Coast Expressway, is currently under construction with joint funding from District Two. This project is a 15-mile, four-lane, divided, limited access facility in Duval and Clay Counties in the Jacksonville area. It connects Blanding Boulevard (SR 21) to I-10 and will feature seven interchanges and five mainline gantries. This facility will open to traffic in FY 2018. A map of the Turnpike System, including existing and the planned expansion projects, is presented in **Figure 1**.



Florida's Turnpike System

Turnpike Enterprise, Florida Department of Transportation
Figure 1



- Toll System Boundary
- Existing Turnpike System Facility
- Future Turnpike System Facility
- Other Toll Road
- Interstate Highway
- Arterial
- County Boundary

Sources: NAVTEQ 2015
 Florida's Turnpike Enterprise, 2016

FISCAL YEAR 2016 OVERVIEW

FY 2016 marks another exceptional year for the Florida's Turnpike with a record high toll revenues of \$956 million. This represents an increase of \$90 million from the preceding year (or over 10 percent). This increase is largely attributed to systemwide traffic growth due to a strengthening economy, an extra day of revenue collection in February due to a leap year, and the statutorily required indexing of SunPass® and TOLL-BY-PLATE® toll rates implemented on July 1, 2015. These rates were adjusted based on the year-over-year change in Consumer Price Index (CPI) of 1.6 percent, and rounded to the nearest penny.

As indicated in **Table 1**, the Mainline continues to provide the majority of Turnpike transactions at nearly 64 percent, while generating 71 percent of the total gross toll revenues.

Table 1
Florida's Turnpike System
Traffic/Transactions and Gross Toll Revenue for FY 2016

Component	Miles	Transactions		Gross Toll Revenue		Average Toll
		Volume (000)	Percent of Total	Amount (\$000)	Percent of Total	
SR 821 (HEFT)	47	201,600	24.2%	\$176,238	18.4%	\$0.87
Southern Coin System	43	161,232	19.4	166,994	17.5	1.04
Ticket System	155	54,561	6.5	172,239	18.0	3.16
Northern Coin System	67	80,884	9.7	138,928	14.5	1.72
Beachline West Expressway	8	31,041	3.7	26,987	2.8	0.87
Total Mainline	320	529,318	63.5%	\$681,386	71.2%	\$1.29
Sawgrass Expressway	23	85,633	10.3	80,510	8.4	0.94
Seminole Expressway	18	39,592	4.7	51,713	5.4	1.31
Veterans Expressway	15	55,304	6.6	45,721	4.8	0.83
Southern Connector Extension	6	13,603	1.6	10,917	1.1	0.80
Polk Parkway	25	33,316	4.0	31,359	3.3	0.94
Suncoast Parkway	42	31,349	3.8	25,709	2.7	0.82
Western Beltway, Part C	11	10,727	1.3	11,032	1.2	1.03
I-4 Connector	1	16,283	2.0	12,071	1.3	0.74
Beachline East Expressway	22	18,722	2.2	5,512	0.6	0.29
Total Expansion Projects	163	304,529	36.5%	\$274,544	28.8%	\$0.90
Total System	483	833,847	100.0%	\$955,930	100.0%	\$1.15

Source: Turnpike Enterprise Finance Office.

Turnpike Management continues to proactively adapt to changing economic conditions that have an impact on financial planning. The result is improving efficiency through the realignment of resources with priority programs that meet organizational objectives. This focus has enabled the Turnpike to continue to meet or exceed its debt service requirements and maintain one of the highest bond ratings in the nation from all three rating agencies. In fact, Turnpike's exceptional financial performance was reaffirmed with bond rating upgrades in FY 2016 and early FY 2017. All three rating agencies noted Turnpike's sustained traffic and revenue growth, outstanding management team and strong debt service coverage for their upgrade. The resulting reduction in cost of borrowing enables the Turnpike to add more investment into critical road infrastructure.

A key component of Turnpike's sound financial management is also the leveraging of technology to minimize operating costs so that maximum revenue dollars are reinvested in transportation projects. An integral part of this effort is the upgrade of most toll plazas with the state-of-the-art tolling equipment and the conversion of certain facilities to All-Electronic Tolling (AET). This innovative method eliminates cash toll booths and allows customers to pay tolls electronically while traveling uninterrupted at highway speeds. Electronic tolling at highway speeds increases throughput, shortens travel times, enhances safety and reduces pollution. Additionally, it provides convenience and offers lower SunPass® toll rates for the customer.

Customers today experience the benefits of AET on the HEFT, Sawgrass and Veterans Expressways, and on the southern section of Southern Coin System from Golden Glades to I-595 (except Dolphin Center interchange). More conversions are planned starting with the Suncoast Parkway in FY 2019, and the remaining sections of the Southern Coin System and the Ticket System in FY 2020. Additionally, the Polk Parkway and the Northern Coin System AET conversions are planned in FY 2022 and FY 2024, respectively.

While successfully managing to keep the toll collection cost low, the Turnpike continues to provide affordable and high quality services by increasing additional capacity through widening projects and express lanes. Key capacity projects on the Turnpike System planned in the five-year Work Program include the addition of express lanes: from SW 137th Avenue to NW 27th Avenue on SR 821 (HEFT); from Sunrise Boulevard to Powerline Road on the Sawgrass Expressway; from Memorial Highway to Hutchison Road on the Veterans Expressway; from Kissimmee /St. Cloud South to Orlando South interchange and from SR 50 to Minneola on the Northern Coin System; and the entire Beachline West Expressway. The addition of tolled express lanes offer drivers a choice for more reliable and predictable travel time. These lanes also enhance mobility and minimize delay.

Additionally, two new tolled full interchanges will be added on the Northern Coin System at Minneola and Sand Lake Road. In fact, construction is already underway at Minneola after the ground breaking in May 2016 for an AET interchange to relieve congestion on area roads and serve the residents of the planned Hills of Minneola development. Being built with the combined efforts of the developer, Lake County, City of Minneola and the Department, this interchange exemplifies a successful public-private partnership.

Two new toll-free ramps at SR 417 (from Turnpike northbound to Central Florida Expressway (CFX) SR 417 eastbound and from SR 417 westbound to Turnpike southbound) opened to traffic in January 2015. These ramps provide a direct access between these two major roadways for the first time. These CFX built ramps improve access to the Orlando International Airport and to the Lake Nona area “Medical City” for residents of southern Orange and Osceola counties. In May 2016, Turnpike opened three new ramps at this interchange providing direct access to both northbound and southbound Turnpike Mainline from the CFX facility. When the final three ramps are open in FY 2021, all directional movements will be possible at this interchange.

In addition to collaboratively building interchanges, Turnpike has partnered with the private sector to provide customer service improvements at the Turnpike service plazas. The Turnpike’s concessionaire, Areas USA FLTP, LLC, which operates all eight service plazas located on the Turnpike Mainline, began construction and renovation of the service plazas in November 2010. The service plaza at Snapper Creek on SR 821 (HEFT) was the first to reopen after reconstruction in March 2012, followed a year later by the service plaza at Pompano Beach on the Southern Coin System. In FY 2014, another four renovated service plazas reopened, which included the Turkey Lake Service Plaza on the Northern Coin System, and the Ft. Drum, West Palm Beach and Canoe Creek Service Plazas on the Ticket System. With the opening of Okahumpka Service Plaza in FY 2016, only Fort Pierce/Port St. Lucie is currently under renovation, which is scheduled for completion in FY 2018.

Another key initiative that leverages technology to minimize toll operational cost and maximize customer convenience and experience is the Turnpike’s SunPass® program. The Turnpike first introduced the SunPass® transponder in Miami-Dade County in 1999. Since its introduction, the SunPass® program has expanded to include over 600 miles of Turnpike-owned and operated toll roads, and to pay for parking at all major Florida international airports. During FY 2016, the program expansion included the Orchard Pond Parkway in Tallahassee and Bob Sikes Bridge in Pensacola. The SunPass® program is also interoperable beyond the state’s borders. After a successful launch of interoperability with North Carolina’s Quick Pass and Georgia’s Peach Pass, effort is underway to establish regional interoperability with South Carolina, Kansas and Texas.

Additionally, the Miami Dolphins became the first sports team in the State to partner with the Turnpike to enable parking at the Hard Rock Stadium using a SunPass®. This partnership not only provides a great convenience to the fans, but also allows them to enjoy savings in parking fees. Transponders provide customers who participate in the program with lower tolls, non-stop travel

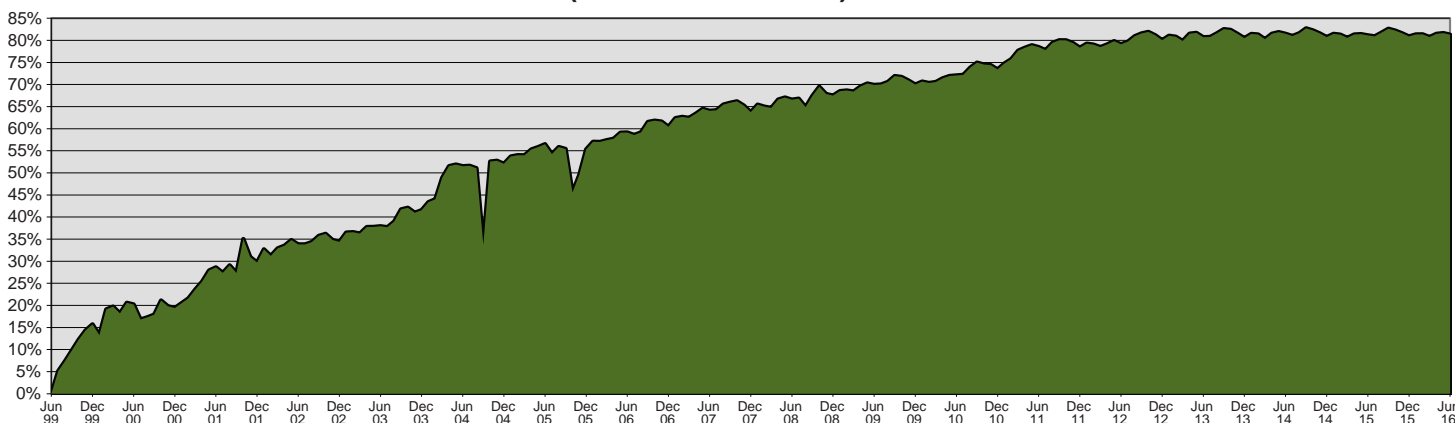
through the toll plazas and continue to be a convenient method of toll payment for most drivers throughout the State of Florida and beyond.

As a result of the SunPass® benefits, according to the most recent survey, 92 percent of the respondents would recommend SunPass® to a friend. To further boost sales, Turnpike actively participates in numerous community events and collaborates with local partners. An integral part of this effort during FY 2016 was the stadium sponsorship at Camping World Stadium and Amway Center in Orlando, as well as participation in the nationally televised annual Florida Citrus Parade.

The wide availability of transponders through convenient channels have also significantly increased transponder sales and correspondingly enhanced SunPass® participation rates. In fact, a record 1.8 million transponders were sold in FY 2016, an increase of 14 percent over the preceding year. This increase is attributed to life cycle replacements of older transponders and the addition of SunPass® collection at additional toll facilities in northern Florida. Equally important is the convenience of easy activation and use within minutes. In order to enhance customer experience and provide 24-hour and 7-day per week option to activate transponders, kiosks were added in FY 2016 on a pilot basis in two locations at I-75 Welcome Center and at Turkey Lake Service Plaza. Positive responses from customers have prompted the expansion of kiosks to the remaining seven Service Plazas and two additional Welcome Centers.

Graph 1 illustrates the growth in transaction-based SunPass® participation since inception of the SunPass® program. The overall SunPass® participation has grown significantly to the current 81 percent. Higher participation is recorded during the commuter peak hours. This substantial increase is largely attributed to AET conversions, customer recognition of the SunPass® benefits including lower SunPass® tolls, and an effective marketing program. (The dips observed in September 2004 and October 2005 are due to hurricane impacts.)

Graph 1
Florida's Turnpike System
Growth in SunPass® Participation Since Inception
(Transaction-Based)



Supporting this growing SunPass® program is the newly established Centralized Customer Service Center (CCSC). When fully operational, CCSC will provide streamlined back office processing for most of the largest toll agencies in Florida under the SunPass® brand. Additionally, it will provide AET related customer support which includes invoicing, account management and violation enforcement under a single operation, while delivering operational cost savings, efficiencies and value to SunPass® customers.

COMPARISON OF ACTUAL REVENUES TO ESTIMATED REVENUES

Table 2 provides a comparison of actual FY 2016 and FY 2015 total revenues. It also shows a comparison of actual and projected FY 2016 total revenue as included in the FY 2015 Annual Letter Report. FY 2016 total revenue of \$963 million (includes \$7 million of concession revenues) represents an increase of approximately \$90 million, or 10 percent over the preceding fiscal year.

This revenue increase is largely due to the systemwide traffic growth, most notably on Central Florida facilities, an extra day of revenue collection due to a leap year, and the legislatively required toll rate indexing on SunPass® and TOLL-BY-PLATE® toll rates implemented on July 1, 2015.

The systemwide commuter and truck traffic growth during FY 2016, is an indication of the overall improvement in the state economy marked by a notable decline in unemployment rates, a modest population growth, a record 106 million Florida visitors in 2015, and a recovering housing market.

Overall, toll revenues on the Mainline increased approximately 9 percent (or \$57 million), and toll revenues on expansion projects increased by nearly 14 percent (or \$33 million) over FY 2015. Significant revenue increase on all Central Florida facilities is attributed to notable traffic growth spurred by housing and commercial development in the area and a record number of tourists.

Table 2
Florida's Turnpike System
Comparison of FY 2016 Actual vs. FY 2015 Actual and FY 2016 Estimated Revenue

Turnpike System Component	Actual Revenue (000) FY 2016 vs. FY 2015		Actual Change FY 2016 vs. FY 2015		Estimated Revenue ⁽¹⁾ (\$000)	Comparison FY 2016 Actual vs. FY 2016 Estimated	
	FY 2016	FY 2015	Amount (\$000)	Change		Amount (\$000)	Change
HEFT	\$176,238	\$162,017	\$14,221	8.8%	\$165,368	\$10,870	6.6%
Southern Coin System	166,994	150,189	16,805	11.2	151,000	15,994	10.6
Ticket System	172,239	162,411	9,828	6.1	165,726	6,513	3.9
Northern Coin System	138,928	124,586	14,342	11.5	127,381	11,547	9.1
Beachline West Expressway	26,987	24,830	2,157	8.7	25,550	1,437	5.6
Total Mainline	\$681,386	\$624,033	\$57,353	9.2%	\$635,025	\$46,361	7.3%
Sawgrass Expressway	80,510	72,614	7,896	10.9	74,545	5,965	8.0
Seminole Expressway	51,713	45,243	6,470	14.3	47,016	4,697	10.0
Veterans Expressway	45,721	41,111	4,610	11.2	41,959	3,762	9.0
Southern Connector Extension	10,917	8,746	2,171	24.8	9,058	1,859	20.5
Polk Parkway	31,359	27,713	3,646	13.2	28,461	2,898	10.2
Suncoast Parkway	25,709	23,682	2,027	8.6	24,107	1,602	6.6
Western Beltway, Part C	11,032	8,853	2,179	24.6	9,208	1,824	19.8
I-4 Connector	12,071	8,774	3,297	37.6	9,426	2,645	28.1
Beachline East Expressway	5,512	5,181	331	6.4	5,312	200	3.8
Total Expansion Projects	\$274,544	\$241,917	\$32,627	13.5%	\$249,092	\$25,452	10.2%
TURNPIKE SYSTEM TOTAL TOLL REVENUE	\$955,930	\$865,950	\$89,980	10.4%	\$884,117	\$71,813	8.1%
Concession Revenue	7,226	7,050	176	2.5	7,179	47	0.7
TURNPIKE SYSTEM GRAND TOTAL	\$963,156	\$873,000	\$90,156	10.3%	\$891,296	\$71,860	8.1%

⁽¹⁾ As forecast in the Traffic Engineer's FY 2015 Annual Letter Report.

The actual concession revenues increased by \$176 thousand, or over 2 percent compared to FY 2015. This increase is due to a higher concessionaire contractual payments and advertising revenues than the preceding year. Actual concession revenue exceeded the forecast by \$47 thousand or nearly 1 percent.

COMBINED TOLL REVENUE FORECAST

The updated traffic and revenue forecasts depend on expectations about the strength of the economy, particularly the decline in unemployment rates and population growth. While uncertainty about the future is always a concern, Florida’s overall economy is improving.

With these factors in mind, this year’s forecast was prepared based on actual revenues in FY 2016, as well as other major events, including capacity improvements, the future indexing of toll rates and the upcoming conversion to AET. Additionally, revenues from the First Coast Expressway in Jacksonville are included in the forecast. Furthermore, the forecast includes revenue from two new interchanges on the Northern Coin System at Minneola and Sand Lake Road in FY 2018 and FY 2023, respectively, followed by the Braddock Road interchange on Polk Parkway in FY 2020, and the addition of express lanes on SR 821 (HEFT) in FY 2018 and FY 2022, the Veterans Expressway starting FY 2018 and the Beachline West Expressway starting FY 2020. Additionally, the revenue impacts from the express lanes on Sawgrass Expressway in FY 2022 and FY 2024, and on sections of Northern Coin System in FY 2022 and FY 2024 are incorporated in the forecast. The forecast also incorporates the widening impact on the northern section of Polk Parkway in FY 2020. In response to the threat from Hurricane Matthew, tolls were suspended on most Turnpike facilities to facilitate and expedite the evacuation and recovery efforts from October 5 through October 10, 2016 for approximately 100 hours (slightly over four full days). The resulting revenue loss is estimated at \$9.7 million.

The revenue forecasts contained in this section are a result of analyses made of the individual segments of the Turnpike System covered in this Annual Letter Report. The forecasts through FY 2027 are detailed by Turnpike System component in order to facilitate monitoring and analysis of each component’s performance. Gross toll revenue forecasts for the Mainline and expansion projects are shown in **Table 3** and **Table 4**, respectively.

Table 3
Florida’s Turnpike Mainline
Toll Revenue Forecast (\$000)
FY 2017 through FY 2027

Fiscal Year	SR 821 (HEFT)	Southern Coin	Ticket System	Northern Coin	Beachline West	Total
2017	\$177,111	\$167,908	\$173,284	\$139,955	\$27,374	\$685,632
2018	187,874	173,458	178,169	148,583	29,570	717,654
2019	192,913	176,218	180,969	150,887	30,458	731,445
2020	197,881	176,952	174,308	155,710	34,099	738,950
2021	202,949	179,790	177,103	158,357	35,332	753,531
2022	212,246	182,491	179,764	162,584	36,589	773,674
2023	217,709	185,234	182,466	166,595	38,384	790,388
2024	223,079	188,017	185,207	163,180	39,663	799,146
2025	228,342	190,842	187,990	166,710	40,985	814,869
2026	233,721	193,710	190,735	170,183	42,313	830,662
2027	239,217	196,620	193,601	173,837	43,681	846,956

Note: The above revenue forecasts reflect the implementation of All-Electronic Tolling on: the Southern Coin System from I-595 to Lantana and the Ticket System in FY 2020; and the Northern Coin System in FY 2024. The forecasts also include the addition of express lanes on sections of the HEFT from north of SW 137th Avenue to SR 836 in FY 2018, and from SR 836 to NW 27th Avenue in FY 2022. Similarly, the Northern Coin System reflects impact from express lanes from Osceola Parkway to Orlando South in FY 2020, from Kissimmee South to Osceola Parkway in FY 2022, and from SR 50 to Minneola in FY 2024. Further, the Beachline West forecast includes the impact from express lanes on the entire facility starting in FY 2020. Additionally, the forecasts also reflect new interchanges opening on the Northern Coin System at Minneola and Sand Lake Road in FY 2018 and FY 2023, respectively.

Table 4
Florida's Turnpike Expansion Projects
Toll Revenue Forecast (\$000)
FY 2017 through FY 2027

Fiscal Year	Sawgrass Expressway	Seminole Expressway	Veterans Expressway	Southern Connector	Polk Parkway	Suncoast Parkway	Western Beltway - C	I-4 Connector	Beachline East	First Coast Expressway	Total
2017	\$81,086	\$52,668	\$45,950	\$11,141	\$31,673	\$25,879	\$11,342	\$12,646	\$5,599	\$0	\$277,984
2018	82,753	55,903	50,442	12,056	33,755	27,528	12,414	13,471	6,493	7,135	301,950
2019	84,583	57,411	51,833	12,370	34,327	27,228	12,830	14,301	6,636	8,296	309,815
2020	86,453	59,094	53,212	12,671	35,147	27,162	13,293	15,139	6,792	9,393	318,356
2021	88,278	60,875	54,577	12,981	35,812	27,790	13,778	15,995	6,946	10,443	327,475
2022	93,701	62,649	55,979	13,299	34,565	28,433	14,271	16,868	7,107	11,451	338,323
2023	96,180	65,076	57,415	13,794	35,312	29,090	15,007	17,771	7,431	12,451	349,527
2024	101,094	66,903	58,893	14,102	36,070	29,734	15,570	18,723	7,593	13,449	362,131
2025	103,827	68,715	60,400	14,404	36,788	30,403	16,155	19,725	7,753	14,431	372,601
2026	106,607	70,507	61,944	14,712	37,572	30,993	16,745	20,782	7,919	15,382	383,163
2027	109,422	72,349	63,527	15,028	38,369	31,679	17,358	21,894	8,110	16,349	394,085

Note: The above revenue forecasts reflect the implementation of All-Electronic Tolling on Suncoast Parkway in FY 2019 and Polk Parkway in FY 2022. The Sawgrass Expressway forecast includes the addition of express lanes from Sunrise Boulevard to Atlantic Boulevard in FY 2022, and from Atlantic Boulevard to Powerline Road in FY 2024. Similarly, the Veterans Expressway forecast includes the impact from express lanes on the entire facility starting in FY 2018. Additionally, the forecasts reflect the widening impact on Polk Parkway from CR 546 to north of Eastern Plaza and a new interchange at Braddock Road in FY 2020. The First Coast Expressway will open to traffic in FY 2018.

Forecasts for the total Turnpike System toll and concession revenues are shown in **Table 5**. Toll revenue amounts in FY 2018 and FY 2023 reflect the cash toll rate increase that occurs every 5 years in addition to the annual toll indexing for SunPass® and TOLL-BY-PLATE® rates.

Table 5
Summary of Florida's Turnpike System
Toll and Concession Revenue Forecast (\$000)
FY 2017 through FY 2027

Fiscal Year	Mainline	Expansion Projects	Total Toll Revenue	Gross Concession Revenue	Total Gross Revenue
2017	\$685,632	\$277,984	\$963,616	\$7,532	\$971,148
2018	717,654	301,950	1,019,604	7,664	1,027,268
2019	731,445	309,815	1,041,260	7,670	1,048,930
2020	738,950	318,356	1,057,306	7,711	1,065,017
2021	753,531	327,475	1,081,006	7,804	1,088,810
2022	773,674	338,323	1,111,997	7,806	1,119,803
2023	790,388	349,527	1,139,915	7,898	1,147,813
2024	799,146	362,131	1,161,277	7,959	1,169,236
2025	814,869	372,601	1,187,470	8,053	1,195,523
2026	830,662	383,163	1,213,825	8,148	1,221,973
2027	846,956	394,085	1,241,041	8,244	1,249,285

As indicated earlier, the revenue forecasts presented in this report are subject to significant economic uncertainties and contingencies beyond the control of AECOM. As such, if any number of unforeseen events occur, the forecasts may require adjustment.

We acknowledge with thanks the cooperation and support of the Florida's Turnpike Enterprise staff in the preparation of this report.

Respectfully,
AECOM Technical Services, Inc.

A handwritten signature in blue ink, appearing to read 'W.A. Nelsen', with a stylized flourish at the end.

William A. Nelsen, C.P.A.
Vice President