



Howard P. Milstein
Chairman

New York State Thruway Authority
New York State Canal Corporation

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Thomas J. Madison, Jr.
Executive Director

July 23, 2013

Carmen Maldonado, Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, New York 12236

Re: Status of Capital Plan, Report 2013-F-5

Dear Ms. Maldonado:

In response to your June 27, 2013 letter to Chairman Milstein concerning the Capital Plan Follow-Up Audit (Report 2013-F-5), we thank you and your staff for listening to, and working with us. As we have stated in the past, we are always looking for ways to improve the operation of the Authority and appreciate your office's input.

As we stated to your audit staff, for reasons beyond the control of the Authority, very difficult decisions had to be made during the 2005-2011 Capital Program ("capital program") for us to be able to preserve the financial health of the Authority. For example, in the midst of the capital program the Authority was forced to contend with high and volatile construction commodity prices, with steel costs increasing by over 80 percent and fuel and asphalt prices doubling. Complicating the impact these price increases had on the cost of the projects within the program, the national recession caused a historic decline in passenger and commercial traffic across the Thruway system. Accordingly, we experienced steep reductions in toll revenues that stressed the Authority's ability to adequately finance all of the projects that were planned at that time.

Because of these trends, in 2007 and 2008 the Authority was forced to eliminate or re-scope numerous Thruway and Canal capital projects, resulting in over \$500 million in adjustments to the capital program. If the Authority did not make these prudent adjustments, we would not have been able to maintain fiscal balance nor be able to pay for the projects that were planned at that time. In addition, as the prices dropped in 2009 and 2010 because of the national economy, we reinstated some of the work that was removed previously. Finally, we had to make other adjustments in 2011 due to Tropical Storms Irene and Lee.

The Authority has learned from these experiences and, as noted in your audit, we have made significant progress in improving our capital program planning and project selection process through a new state-of-the-art asset management system. This new system will allow us to advance right-sized and focused capital programs that will allow us to more efficiently reinvest toll dollars into the aging Thruway and Canal systems to ensure continued high levels of safety and service that our patrons have come to enjoy.

With regards to the specific recommendations in your audit, we have no comments on recommendations 1 through 3. However, we would like to make clarifications with regards to recommendations 4 and 5. For recommendation 4, we would like to reiterate that the Authority does publish its Board approved capital plan information in the Annual Budget Books. For 2013 and prior years, this information can be readily found on the Authority's website. For recommendation 5, your audit states that the Capital Program Executive Steering Committee does not address progress of the capital plan as a whole. As noted in the meeting minutes and Chief Engineer reports that are provided to the Board, we routinely monitor and report on the status of the overall capital plan in terms of lettings, cash flow and accomplishments. While we do monitor each individual project and address issues when needed, we also understand the importance of evaluating and updating the capital plan as a whole. In addition to the involvement of the Committee, staff members from various offices within the agency routinely update and share information, which is then provided to the Board, Executive Management, Committee and public.

Thank you once again for the opportunity to work with you and your staff on the audit for the Authority's Capital Plan.

Sincerely,



Thomas Madison, Jr.
Executive Director

cc: T. Lukacs, Division of the Budget
H. Lennon, Acting Director, Audit and Management Services