

MINUTES OF THE 587th MEETING OF THE OHIO TURNPIKE COMMISSION

October 15, 2012

Chairman Hruby: (10:00 a.m.) Pledge of Allegiance is recited by all in attendance. The meeting will come to order. Has everyone signed the sign-in sheet? If not, if you would please do so before you leave so we can maintain an accurate record of attendance to our meetings. Would the Asst. Secretary-Treasurer please call the roll?

Asst. Secretary Hodges: Chairman Hruby.

Chairman Hruby: Here.

Asst. Secretary Hodges: Vice Chairman Balog.

Vice Chairman Balog: Here.

Asst. Secretary Hodges: Secretary-Treasurer Barber.

Secretary Barber: Present.

Asst. Secretary Hodges: Mr. Dixon.

Mr. Dixon: Here.

Asst. Secretary Hodges: Commissioner Pakush.

Mr. Pakush: Here.

Asst. Secretary Hodges: Mr. Cole.

Mr. Cole: Here.

Asst. Secretary Hodges: Mr. Smith.

Mr. Smith: Here.

Asst. Secretary Hodges: Senator Patton.

Senator Patton: Here.

Asst. Secretary Hodges: Representative Dovilla.

Representative Dovilla: Present.

Asst. Secretary Hodges: All present and accounted for.

Chairman Hruby: Thank you. This is the 587th Meeting of the Ohio Turnpike Commission. We are meeting here at the Commission Headquarters as provided for in the Commission's bylaws for a Commission Meeting. Various reports will be received, and we will act on several Resolutions, draft copies that have been previously sent to the Commission Members, and updated drafts are in your folders. The Resolutions will be explained during the appropriate times. I would like a motion to adopt the Minutes of our September 18, 2012 Commission Meeting.

Vice Chairman Balog: So moved.

Mr. Pakush: Second.

Chairman Hruby: Moved and seconded. Are there any discussions, additions or corrections? Hearing none, roll call.

Asst. Secretary Hodges: Vice Chairman Balog.

Vice Chairman Balog: Yes.

Asst. Secretary Hodges: Commissioner Pakush.

Mr. Pakush: Yes.

Asst. Secretary Hodges: Chairman Hruby.

Chairman Hruby: Yes.

Secretary Barber: Yes.

Asst. Secretary Hodges: Commissioner Dixon.

Mr. Dixon: Yes.

Asst. Secretary Hodges: Five to zero.

Chairman Hruby: This morning we are videotaping for our employees to allow them an opportunity to hear the presentation that will be given by Jim Riley, Deputy Director for Innovative Delivery for ODOT. Unfortunately, he has been delayed, but we will await his arrival, and introduce him when he gets here. We will also be bringing a couple of things to the Commission such as looking at placing our transponders in retail outlets. We are hoping to increase the *E-ZPass*[®] system by putting them in retail outlets. The staff is looking at that, and will be providing us with a report that will include what they think we can do to expand our sale of transponders. This may even include some type of creative fees to encourage the use of *E-ZPass*[®]. Also, the Executive Director will speak a little bit about the ongoing negotiations and review of our disabled vehicle policy, that is our tow trucks that come onto the Turnpike and remove vehicles that are disabled and from accident crash scenes. Over the past several months this has been discussed on and off, and recently there have been some steps taken in negotiating how we can get a better deal for the Ohio Turnpike Commission.

It is my pleasure to introduce Jim Riley from the Ohio Department of Transportation, who will give us an update on the study currently being completed for the State of Ohio by KPMG, and their partner companies. As you know, this has been a long and exhaustive study. We do not expect to hear any conclusions today. The study has not yet been completed, and I understand various options are being considered. Now and then, we read in the media as if decisions have been made, and certainly, they have not. We appreciate this update as well as our working relationship with you, KPMG, and their partner companies, as well as several state agencies including ODOT, that have actively engaged Ohio Turnpike Commission personnel over the last 10 months to obtain information and our insights and opinions for the study. The Turnpike Commission has not taken a position on any potential conclusions. We face the reality

of the transportation challenges for the future like everyone does with the Ohio Department of Transportation, the Ohio Turnpike Commission, and even our local governments. We hope that we have been able to play a role in the process, and we thank you for allowing us to do that.

James P. Riley is Deputy Director of Innovative Delivery. He is a 23-year veteran of the transportation industry. He has an extensive background in team, and project management, as well as, sales and strategic planning. Before leading ODOT's new Division of Innovative Delivery, he was tasked with developing new and innovative approaches to managing, maintaining, operating, and building infrastructure assets. Ladies and gentlemen, Jim Riley.

Mr. Riley: I certainly appreciate the opportunity to be here to address the Commission. As you know, we have been working very closely with the Turnpike over the past six to seven months digging into operations, costs, and procedures. Your staff at the Commission, and working directly with Director Hodges, has been very professional, helpful, and a valuable part of the process and we appreciate that.

Whenever we want to talk about the Turnpike Study, we always have to frame it to talk about the funding gap that exists both within the State of Ohio, but also nationally. You see, \$1.6 billion is the number that we are short in shovel ready projects that are ready to be built across the State of Ohio right now. That equals at least 23 major project delays for up to 13 years. This isn't an isolated problem to Ohio. This is all based on the fact that the gas tax formula isn't providing us enough revenue to meet all of our needs when all of our facilities are pretty much at the end of their useful life, and need to be rebuilt. So, what is interesting is that the United States spends just about 1.6% of its GDP on transportation infrastructure. When you look at the rest of the world, they spend about 52% more than that. It is an interesting fact when we looked at the economies of how we are trying to deal with transportation in the United States,

and the revenue that we are given to address that. The point is that we need to look for different ways to do things, and we are looking at a whole host of things at the DOT, including sponsorship programs, outsourcing maintenance and operation, commercializing our rest areas, and developing the P3 Program, which allows us to deliver other large Capital Projects, potentially considering other toll revenue, and transferring risk to the private sector to allow them to build it cheaper and faster. So, we have a whole suite of things that we are looking at, and that is what the Division that we started in January when I came to the DOT is charged with doing. Also included in that, we decided it was time to look at the Ohio Turnpike and look at if there was any way we could unlock the value that is there.

At the bottom of the slide it shows how infrastructure and investment creates jobs. These are national statistics that \$1 billion in highway spending ultimately results in about 30,000 jobs. I have been working in the transportation community my whole career, and this is a charge that we try to beat that everybody understands. Transportation investments means economic development. It means jobs, and we all need to recognize that. We wanted to take a look at specifically talking about the Turnpike – about unlocking as we say “the value” that is in the facility. We could produce billions of dollars for future transportation projects across the State primarily in northern Ohio. It’s been discussed today that any kind of monies that can be generated from a new business model within the Turnpike would be used primarily in northern Ohio. It could be looked at in helping local bridge funds and perhaps public transit and local community programs. But, it would be primarily focused on northern Ohio, and major infrastructure projects. We are looking at a public releveraging option, and we are looking at a public-private partnership or lease agreement. We are looking at a whole bunch of different variables and scenarios under each. Within the lease agreement, we are looking at a potential

revenue share, or a gross revenue share, and that would mean a top line revenue share, so that money could be funneled directly to the DOT for other projects over the life of any kind of concession.

To give you a little background on the scope of the work here, the scope is really broken into four work streams. We have four separate work streams moving at the same time. Commercial and financial, and this is where KPMG is the primary lead. They run these financial models that are based on all of the technical and operational inputs. The technical team is led by Parsons, Brinkerhoff and, they have been evaluating the asset, the condition, the impact on parallel routes, and they run all of the traffic and revenue models. I have some information to share when we talk about diversion. It is certainly one of the goals in anything that we would do is to not increase diversion of trucks or autos any further than they currently are diverted today. We have a communications arm that's been working on a comprehensive communications plan. We have talked to every community and business across the Turnpike in northern Ohio. We have had over 100 meetings over the course of the last several months. We are trying to be open and inclusive about everything that we are considering here. And, of course, we have a legal team because everything we are looking at has certain legal implications, and they are investigating all of that for us.

Let's talk about tolling a little bit. Toll rates are the biggest generator behind value, and behind revenue that could be brought to the State. The current policy when we look over the last twenty years, the Commission has increased tolls slightly greater than CPI, and building the third lane program. Historically, tolls were pretty flat over the first 30-40 years and, then over the last 20 years they have increased greater than CPI. You can see here there is a cash rate and an electronic toll rate. There is currently a discount for electronic toll users of about 30% for cars

and 20% for trucks. But, when we looked at the analysis we said, “How should we consider future toll increases in talking to the market and understanding CPI where the Consumer Price Index is a good indicator of inflation and increasing costs?” The market would accept a CPI cap under some kind of lease agreement. So, we have assumed that a CPI toll rate increase again, which would be a little bit less than what the increases have been for the last twenty years, that is what we used to analyze a public-private model. When we looked at the public option, we are talking about re-leveraging debt, and seeing how much revenue we could generate to help build a project. So, if we looked at re-bonding, how much would we have to increase tolls over the next ten years? And, again, from a policy standpoint, we never want to increase them greater than CPI so, we said that if we increase tolls by CPI for the next ten years, how much could we generate? Thereafter, we decided that it was probably best since it is looking into the future to follow the current Trust Indenture Agreement, which is 10% every ten years. So, we looked at a public option and we looked at a CPI toll rate scheme, and then a CPI with a 10/10 – 10% every ten years after ten years. Sorry, if this gets a little complicated but, we have run through a number of analyses to determine really what the best option to leverage is.

We are also looking at the *E-ZPass*[®]. We call it an *E-ZPass*[®] freeze. We are definitely sensitive to the local users, and I can certainly say I am one myself as I live in northern Ohio and have used the Turnpike my whole life. In our models we said, “Hey, what if we froze the current toll rates for local trips?” which we defined as roughly less than 30 miles. Of course, we could do that through the *E-ZPass*[®], and what impact that would have on the value of the Turnpike so, we have modeled that as well. We have also looked into all electronic tolling. I think the system that we have out there now is sufficient for the future with the barrier gated system. I do think any future business model around us is going to look to increase *E-ZPass*[®] usage that would be a

benefit to all. When you look at the rates on the Turnpike, as much as they have increased greater than CPI over the last 20 years, they are still some of the lowest in the country and in the region. You see two different graphs here. You have passenger cars on the left with the electronic toll rate, and on the right is the cash rate. You can see right now that we have the 10th lowest toll rate for passenger cars using *E-ZPass*[®], and we are also the 10th lowest for cash rate. You can see the Turnpike is circled there just to give you a flavor of where we are relative to other roads in the region. The other darker colored bars show other turnpikes comparable in the region, and the rest of them are all the toll facilities in the U.S. So, you can see from a toll rate standpoint, there is certainly an opportunity to increase, but that doesn't mean that we want to increase. Again, we have to manage this against diversion, which is very important.

This next slide here shows the commercial trucks' tolling policy. You see, in the region, compared to Indiana, Pennsylvania, and Illinois, we have the lowest toll rate for both *E-ZPass*[®] and for cash in the region, and then, respectively 7th lowest for *E-ZPass*[®] and 9th lowest for cash nationally. So, these graphs give us some insight there.

Next is diversion. We have run a whole series of analyses around the impact on increasing tolls would have on diversion of autos and trucks. This visual here just shows these screen lines that we placed in our traffic and revenue model, and origin and destination models. We can look at sensitivities around toll rate increases and diversion. Now, this curve, this is a fun one if we just take a minute to digest it because it tells us a lot. You see the purple curve is for autos and the other one is for trucks. If we just look at the auto curve to begin with, this graph here on the vertical axis it is saying 'percentage of traffic remaining on the Turnpike' and across is the 'toll rate per mile.' If you look at the purple curve, right now it says, 'current cash.' So, that is the current cash rate for autos, and where it hits that line at about 62, 63 or 65%, that

means that about 35% of autos are currently diverting the Turnpike today. If you look similarly at the line on the trucks, the arrow says, 'current *E-ZPass*[®].' Again, 70% of the trucks use *E-ZPass*[®] and that is why we look at their *E-ZPass*[®], you can see about 21-22% of trucks are currently diverting the facility. The maximum revenue is that point at which you can increase rates while still increasing revenue but, at that point if you were to increase it any further, your revenues would go down. Nobody wants that scenario. That would mean more diversion and less revenue to the operator. You can see that that rate isn't too far away from the current rates. But, we also modeled the CPI increase would keep us under that max revenue rate. We did a lot of analyses here because we are very sensitive to the fact of diversion. We don't want diversion. Nobody wants diversion but, we can see that we got some room to play. Interestingly enough, when you look at this and you see the percentage of autos and trucks that are currently diverting, I see that there is an opportunity to try and draw those vehicles back through perhaps, some kind of incentive program or rebate program. There are a lot of things that we have considered along that line as well. If you look at *E-ZPass*[®] this is, perhaps, a little too detailed here but, again, it's really important to understand that as an operator of this facility, the use of *E-ZPass*[®] is a big difference to the revenue we generate, right? Right now, we currently give a discount for *E-ZPass*[®], so that discounts about 30% for cars and 20% for trucks.

We looked at two different scenarios: a standard *E-ZPass*[®] penetration, which is what's currently in the bond documents through 2035. The assumption is that the Commission has here on the penetration, you can see that's in the first table and Class I, of course, is cars and Class V is the semi-trailer/trucks. You can see over the life up to 2062 that diversion or penetration rates for *E-ZPass*[®] would not exceed about 43%. Currently, they are about 30% for cars but, for trucks they get close to 94-95%. We also looked at another penetration rate – a higher *E-ZPass*[®]

penetration rate, and that is shown in the bottom table. And, this is based on the fact that a private operator would really look for opportunities to increase *E-ZPass*[®] penetration at a significant level because it reduces costs significantly so, they might be more aggressive in that regard. And, we looked at that higher penetration rate we used in our public-private model analyses. I show that just to show you the wealth of the different variables that needed to be considered in each of our analyses. So, everything that we have done has been to look at current conditions, current tolling policies, and structures, and then look at alternate ones under a different public option where the Turnpike would be operating as part of ODOT, and then, also under a concession agreement where it would be a public-private partnership.

This table here shows a lot of the operation and maintenance considerations looking at administration, management, buildings and facilities, roadway structures and such. We built the status quo model, which is the way the Turnpike operates now with a number of staff and a number of buildings and such. Under the public option, we built up the staff in the operations in accordance with ODOT's current staffing policies, and usage of maintenance workers, and snow plow workers, and all that, and you can see some of the assumptions in here. The one thing is that there are eight maintenance facilities across the Turnpike under an ODOT option, only six of those would be used. There are a lot of economies of scale obviously, with an ODOT operation that could eliminate some of the redundancy there in equipment, buildings and facilities. Also, for the public-private option, we assume that they would operate in a similar fashion, and of course, their private operation of toll collection is shown in and assume there on how they would come up with their staffing. So, we had to build each of these models around because they are the big generators into the operational costs that are in the models.

That is where we are here, and if I can close on this slide, I will. We are taking all of this information and we are running these financial models around each of these scenarios. In fact, we have run over 50 public and public-private scenarios over the last month or so here, varying the term of the deal from about 45-55 years is the frame we've looked at. The toll schedules like I have discussed – the *E-ZPass*[®] local trip freeze; the *E-ZPass*[®] penetration, and on a public option, we've looked at one and two bonding scenarios at different times, and on the private, we've looked at getting a max upfront payment or having a gross revenue share over time. So, we have looked at all these different models and what the financial results would mean, and our goal here is to find the best public model and the best public-private model out of all of these alternatives – look at the strengths and the weaknesses of each, and we are currently preparing that final report which we expect to see in a month or so. We are also planning further in-depth interviews - that's what we call it when we go across the Turnpike and meet with a lot of the locals, to share the information at the point that we have it, and listen and reflect their comments. Of course, we have our website and we are continually posting updates on that. So, with that, that's an update on where we are with the study. If there are any questions, I would be happy to address them.

Chairman Hruby: Thank you, Mr. Riley. We appreciate it. I would also like announce that Chief of Staff of ODOT, Greg Murphy, is here. Thank you for being with us. Mr. Murphy is overseeing a lot of what is going on in this conversation, and we appreciate him being here. Are there any questions from the Members of the Commission? Mr. Riley, you said about a month or so before the final report?

Mr. Riley: Yes, that's the general time-frame. Definitely before the end of the year there will be a decision on which way we believe is best to move forward.

Chairman Hruby: And comment is ongoing from various agencies and others still out there?

Mr. Riley: Absolutely. We have been working across the Turnpike sharing updates just like I shared here today, and are continuing to listen to comments.

Chairman Hruby: No questions? Yes sir? Could you identify yourself, please?

Jerid Kurtz: (Member of the Ohio Democratic Party) Can you discuss at all what the revenue goals are? I think \$1 billion to \$2.5 billion have been discussed previously.

Mr. Riley: There are no revenue goals. What we are doing is to see what revenue could be generated with the different variables under each scenario and, then, just obviously see how we can generate.

Jerid Kurtz: But, no range of what you are looking at?

Mr. Riley: No. There's not a range we are shooting for. We are just looking to see under what conditions could we provide the best operation service on the Turnpike and generate the most revenue under each of them.

Chairman Hruby: Thank you, Mr. Riley. We appreciate it very much. We will move on with our agenda. We will begin with our reports. Do we have a report from the Secretary-Treasurer?

Secretary Barber: Yes, Mr. Chairman. I would like to start my report with the following items have been sent to the Members since the last scheduled meeting of the Commission on September 18, 2012:

1. Four Resolutions;
2. Minutes of the September 18, 2012 Commission Meeting;

We have included in their folders for today's meeting, the following additional documents:

3. Traffic Crash Summary Report, September, 2012;
4. Traffic and Revenue, September, 2012;
5. Investment Report, September, 2012;
6. Total Revenue by Month and Year, September, 2012;
7. Various News Articles

That concludes my report, Mr. Chairman.

Chairman Hruby: Thank you. Are there any questions? Hearing none, we'll move on then to the report of our Executive Director, Mr. Hodges.

Director Hodges: Mr. Chairman and Members of the Commission, periodically I try to update you on projects, priorities, and programs we are trying to complete. My last report was in May so, I would like to take this opportunity to bring you to date.

You are aware of our ongoing efforts to review Turnpike operations, achieve efficiencies, and improve service. On the one hand, we are a business, and we owe it to our customers to provide the best possible service at the lowest possible cost. We are also a government agency, and we need to recognize the impact of the economy on our customers, and other agencies that have been trying to cope with difficult times. We have a dedicated funding source that is fairly stable, but that does not exempt us from trying to become as efficient as possible. Finally, we are confronting challenges in the near future. The road is 60 years old and needs to be rebuilt. New technology is changing the tolling industry, and we need to prepare for the day when we

make significant investments in emerging technology. I will be highlighting the roles played by staff in my remarks, but I want to thank our Deputy Executive Director, Robin Carlin who has been part of most of these projects - even if I do not mention her specifically.

In the past several months, we have made important strides. First, we have focused on reducing costs and improving service. We identified incident response as an area for reform. Turnpike custodians have always responded to stranded motorists, animal removal and road debris. In reviewing our process we discovered that, under the current structure, custodians were spending only between 1 and 12% of their time actually on the road responding to incidents. We are making changes. Their janitorial duties will be absorbed by afternoon roadway personnel. We will still have incident responders, but they will now spend all of their time on the road. We were able to reduce the number of positions, and save roughly \$1.4 million while more than tripling the time personnel spends on the road responding to motorists' needs. It is always difficult to eliminate positions. I am very pleased to report that we were able to delay filling other open positions so we could accommodate all affected personnel. They will be transferred to open, needed positions. We will not be hiring new workers to replace those who have left, but fortunately, no one will be laid off as a result of these changes. I would like to thank senior staff for their hard work, and particularly, our Engineering/Maintenance Department, and HR Department for finding a way to make it all work. We are currently finishing discussions with the Teamsters Local 436, which represent our employees. During my time here, they have dealt with us forthrightly, and contributed valuable insights. We have modified this plan somewhat based on their input, and the new system will go into effect in early November.

Next, we are implementing performance based contracting. Simply put, we are the Turnpike. We should demand vendors meet strict performance standards, but we should not be trying to manage their businesses for them. You asked us to review our relationship with Disabled Vehicle Service providers with the goal of improving service to stranded motorists while at the same time reducing costs to the turnpike. The DVS contract is one early example of our focus on performance based contracting.

Staff conducted a significant amount of research and consulted with stakeholders. Commission members added their input at the March meeting. Senior staff- particularly our Business Transformation Manager, Safety Services Manager, Chief Engineer and General Counsel have all worked very hard on negotiating contract changes with vendors.

Our approach to a performance based contract has focused on removing costly management mandates while at the same time maintaining standards for rapid, professional responses to roadway incidents. We need to remember the Turnpike is a closed access system where the traffic always moves at 70 miles per hour. Triple length trucks travel the Turnpike. Roadway incidents need to be resolved quickly so rate payers can continue their journeys safely and without delay. Our DVS responders need to have the equipment on hand to handle oversized loads. We have focused on:

1. Eliminating some current contractual requirements that do not contribute to rapid response;
2. Allowing DVS operators to charge fees that do not exceed the market rate; and,
3. Negotiating rates that take into consideration average call out figures over the last five years to determine a new stipend.

Changes will go into effect with the new contract year and costs to the Commission will be at least 50% lower, if not more. It is important to note that we will maintain current response time standards with the appropriate equipment.

In the future, you will see more examples of performance based contracting. We are currently working on a contract for janitorial services at our plazas for your review at a future meeting.

In the spirit of reviewing our processes, we are currently reaching out to contractors to discuss how we can remove costly mandates that add time and money to a bid. We recently held discussions with the Ohio Contractors Association. Approximately 20 contractors discussed valuable ideas with us. Hopefully, these efforts will bear fruit in the new construction season with more bidders who are able to offer more competitive bids.

Finally, Mr. Cole has impressed upon me the opportunities that exist with the state's Shared Services Program. We will be meeting with their representatives next week to see how we can obtain services, and share services the state might find valuable. I am confident we will find cost savings, and opportunities for improved services by working closer with our state partners.

As I said, we also need to be aware of technology trends with toll roads. Our Internal Auditor is working closely with the multi- state *E-Z Pass*[®] group to take advantage of the national trend toward interoperability. By the way, investments in new technology have enabled him, our Toll Audit Department and Toll Operations Director, to identify efforts to evade our system, and correct those problems.

As you mentioned in your remarks, Mr. Chairman, it has been important to you and Mr. Balog, as well as all of the Commission members, that we explore opportunities for making *E-Z Pass*[®] more accessible to our customers through retail outlets. We are currently working on such projects. Our Toll Operations Director is also working with a consultant to review our staffing model so we can continue to provide the most efficient possible customer service to all of our *E-Z Pass*[®] and cash customers.

Our CFO, senior staff, and I are currently working on a draft budget to be submitted to you next month. Marty Seekely has a very sharp pencil. I believe our budget will demonstrate our priorities of constantly reducing administrative costs so that you can direct more resources to our road while, at the same time, keeping our tolls among the lowest in the country.

In addition to improving service, reducing costs, and investing in the road, we have also been very concerned with reaching out to our community partners along the Turnpike. Thanks to our Director of Government Affairs and Communications and his Department, we are currently in discussions with several local communities to determine how we can help meet their local needs. These efforts will result in announcements about local partnerships in coming months. Thanks to the determined efforts of Representative Dovilla, and local officials in his district, we have already identified an area where we can improve safety at little additional cost.

In addition to working more closely with local communities, we are also trying to establish better relationships with local leaders. I, Adam Greenslade and Chad Armstrong from the Communications Department have embarked on a very aggressive public speaking tour that takes us to just about every exit along the Turnpike more than a few times at each exit.

Finally, I would be remiss if I did not acknowledge the current study being conducted by the State of Ohio about the future of the Turnpike. I would like to thank Director Wray and Mr. Riley for working with us in a spirit of cooperation so that we can provide them with the information, and insights they need to complete their study. I appreciate Mr. Riley's comments that our staff has responded with openness and professionalism. These are challenging times, and I am truly grateful for all of our employees and the job they have done.

I have been included in many conversations with people conducting the study, and I want to say that I am confident an exhaustive study is being completed by capable, thoughtful people who care about doing the right thing for the State of Ohio, and particularly, the residents of northern Ohio.

Mr. Chairman, the Commission is neutral on any conclusions regarding the study, and I am not privy to any final recommendations. But, we all recognize Ohio faces important transportation and economic challenges. We need to reinvest in our transportation infrastructure, and create jobs in the construction industry. Governor Kasich has demonstrated bold leadership in confronting many challenges facing our state. We have pledged to work with the state in the same spirit, and if policy makers should decide to make changes to our structure, we will follow the direction of the Commission to make sure our road continues to be a vital asset to the state and particularly northern Ohio. Thank you very much.

Chairman Hruby: Thank you. Are there any questions or comments for the Director? I would like to say that I am very appreciative that our employees are doing what they are doing in the way they are doing it during this period of time. There is a lot of discussion to go, a lot of editorials being written, a lot of backroom discussions, people are uncertain about their jobs and uncertain about the future of the Turnpike. I don't think that anyone is going to

place this Turnpike in a position where it is going to go away or it's going to be in jeopardy or we are not going to serve the public as well as we serve them today. The goal is to continue this level of service. As you heard Mr. Hodges speak of the many innovations that he is making, and the way that he is dealing with our budgetary concerns are all positive and good things. And, this Commission is supporting this policy without taking a position one way or another in dealing with the decision that will be made at some point in time by our state legislature, our Governor, and the Ohio Department of Transportation. I just want to thank our employees, and our staff and just say to them to stick with it. You are all doing a great job, and we have a great future together. I want to thank you, Director Hodges, for addressing the disabled vehicle services challenge. As you know, there was some concern about what we were paying for that, and to hear that we can reduce our cost by 50% is quite rewarding and I appreciate that very much. Mr. Cole.

Mr. Cole: Mr. Chairman, again, the same thing you just said but, I really appreciate Director Hodges, all of the executive staff and the staff throughout the Turnpike as well as ODOT in their efforts right now. We are undergoing a period of service delivery transformation in pursuing these additional partnerships. Continuous improvement, no matter what the big picture questions are related to what happens to the Turnpike, and finding better ways of doing things. Our local governments and schools around the state are challenged, and are coming up with great ideas. I hope that we can share some of these neat ideas that the Turnpike has with ODOT, and that ODOT, which has a list of things they are producing for the administration on ways they are reforming things and partnerships they have with locals, will share that with the Turnpike, and crossbreed some of those best practices. Again, no matter what happens in the big picture, very exciting things are happening in that area and it's nice, in a period like this, where

there could be paralysis and, instead, there isn't. There is innovation, engagement by employees and that's what is important is to have the best Turnpike operation no matter what and serving the public the best way and as efficiently as possible. Again, I commend you and Director Hodges. It would be easy to be paralyzed and not do anything but, instead, the Turnpike is continuing to move into the 21st century as is our Department of Transportation, and that is an exciting thing to be a part of.

Chairman Hruby: We certainly appreciate the work of the Governor and Jerry Wray, our Director of ODOT, in dealing with this issue as well as our Budget Director. Quite frankly, folks, something has to be done and we have to look at the state as a whole. The Turnpike is going to be part of the future of the state and our continuation of providing the best possible Turnpike that we can and our best possible state highway system that we can. We appreciate the support of our Senator and our State Representative, both of whom are very much involved in the process, both here on the Commission and in Columbus. Are there any other questions, comments? Moving on then, we will hear the report of our Chief Engineer, Mr. Hedrick.

Chief Engineer: Thank you Mr. Chairman, I have three Resolutions for your consideration this morning.

My first is a Resolution to award Contract No. 26-12-01 for the furnishing and construction of Interchange Lighting Improvements at Interchanges, 142 and 151 in Lorain County, Ohio. This Project is contained in the 2012 Fuel Tax section of the Capital Improvement Budget. Procurement received five bids for this work and these bids were evaluated by Engineering. Based upon this review, it was determined the lowest responsive bid was submitted by Lake Erie Electric of Toledo, Inc., of Bowling Green, Ohio in the amount of \$1,081,490.00. The bid was below the Engineer's estimate. This company has not previously

performed work for the Commission. Therefore, during our evaluation, a careful review of both their references and current work load was performed. Several references were contacted and all provided positive responses to the question of Lake Erie's performance. These references included both public and private agencies. This company has ample capacity to perform this Project. Therefore, I recommend that we award them this contract. The Resolution also contains provisions for DLZ Ohio Inc., of Cleveland, Ohio to perform construction administration for this project. If the General Counsel would please read the Resolved.

General Counsel: RESOLVED that the bid of Lake Erie Electric of Toledo, Inc., of Bowling Green, Ohio, in the amount of \$1,081,490.00 for the performance of Contract No. 26-12-01 is, and is by the Commission, determined to be the lowest responsive and responsible bid received for the performance of said Contract, and is accepted, and that the Chairperson and Executive Director, or either of them, hereby is authorized to: 1) execute a Contract with said successful bidder in the form heretofore prescribed by the Commission pursuant to the aforesaid bid, 2) direct the return to the bidders of their bid security, when appropriate, and 3) take any and all action necessary or proper to carry out the terms of said bid and of said Contract; and

FURTHER RESOLVED that the Commission hereby authorizes the Chief Engineer to assign DLZ Ohio, Inc., of Cleveland, Ohio, to Contract No. 26-12-01 for the purpose of performing construction inspection and materials testing, in accordance with the Agreement specific to this Project; and

FURTHER RESOLVED that Project No. 26-12-01 is designated as a Fuel Tax Project.

Chairman Hruby: Is there any action on the part of the Commission?

Vice Chairman Balog: Motion to adopt.

Chairman Hruby: Moved to adopt, is there a second?

Secretary Barber: Second.

Chairman Hruby: Moved and seconded. Any discussion or questions? Mr. Balog.

Vice Chairman Balog: Traditionally, when you are redoing an interchange, you redo the lighting and that makes sense. Why are we redoing the lighting on existing exits?

Chief Engineer: Mr. Chairman and Vice Chairman Balog, several years back we had already upgraded the toll plazas to remove those buildings from the center and pushed them to the outside. We've upgraded the paving at both of those interchanges recently. This is just the final piece of the puzzle to upgrade the lighting. This lighting was the original lighting that was installed back in the early 1970's. Maintenance has had numerous call outs on replacing wirings and fixtures and it is just showing its age.

Chairman Hruby: Any other questions? Hearing none, roll call.

Asst. Secretary Hodges: Vice Chairman Balog.

Vice Chairman Balog: Yes.

Asst. Secretary Hodges: Secretary-Treasurer Barber.

Secretary Barber: Yes.

Asst. Secretary Hodges: Chairman Hruby.

Chairman Hruby: Yes.

Asst. Secretary Hodges: Commissioner Dixon.

Mr. Dixon: Yes.

Asst. Secretary Hodges: Commissioner Pakush.

Mr. Pakush: Yes.

Asst. Secretary Hodges: It's unanimous.

OHIO TURNPIKE COMMISSION

Resolution Awarding Contract No. 26-12-01, Interchange Lighting Improvements; Interchange 142 and Interchange 151, Lorain County, Ohio

WHEREAS, the Commission has duly advertised according to law for bids upon a Contract for Interchange Lighting Improvements at Interchange 142 (Milepost 142.8), and at Interchange 151 (Milepost 151.8), both located in Lorain County, Ohio, herein designated **Contract No. 26-12-01**; and

WHEREAS, expenditures for the award to be made under Contract No. 26-12-01 will exceed \$150,000.00, and, therefore, in accordance with Article V, Section 1.00 of the Commission's Code of Bylaws, Commission action is necessary for said Contract award; and

WHEREAS, on September 27, 2012, the Commission received five bids for the performance of said Contract, and said bids have been reviewed and analyzed by the Commission's Chief Engineer, whose report concerning such analysis is before the Commission; and

WHEREAS, the Chief Engineer has reported that the lowest responsive and responsible bid for the performance of Contract No. 26-12-01 was submitted by **Lake Erie Electric of Toledo, Inc. of Bowling Green, Ohio**, in the amount of **\$1,081,490.00**, which company has the capacity to perform this Project, and which bid he has recommended be accepted by the Commission; and

WHEREAS, the Commission has also been advised by the General Counsel that bids for Contract No. 26-12-01 were solicited on the basis of the same terms and conditions and the same specifications, that the bid of Lake Erie Electric of Toledo for Contract No. 26-12-01 conforms to the requirements of Ohio Revised Code Section 5537.07, Section 9.312 and Section 153.54, and that a performance bond with good and sufficient surety has been submitted by said bidder; and

WHEREAS, the Executive Director has reviewed the reports of the Chief Engineer and the General Counsel and predicated upon such analysis, concurs that Contract No. 26-12-01 be awarded to the lowest responsive and responsible bidder, Lake Erie Electric of Toledo; and

WHEREAS, the Commission has duly considered such recommendations.

NOW, THEREFORE, BE IT

RESOLVED that the bid of **Lake Erie Electric of Toledo, Inc., of Bowling Green, Ohio**, in the amount of **\$1,081,490.00** for the performance of Contract No. 26-12-01 is, and is by the Commission, determined to be the lowest responsive and responsible bid received for the performance of said Contract, and is accepted, and that the Chairperson and Executive Director, or either of them, hereby is authorized to: 1) execute a Contract with said successful bidder in the

form heretofore prescribed by the Commission pursuant to the aforesaid bid, 2) direct the return to the bidders of their bid security, when appropriate, and 3) take any and all action necessary or proper to carry out the terms of said bid and of said Contract; and

FURTHER RESOLVED that the Commission hereby authorizes the Chief Engineer to assign **DLZ Ohio, Inc.**, of **Cleveland, Ohio**, to Contract No. 26-12-01 for the purpose of performing construction inspection and materials testing, in accordance with the Agreement specific to this Project; and

FURTHER RESOLVED that Project No. 26-12-01 is designated as a Fuel Tax Project.

(Resolution No. 42-2012 adopted October 15, 2012)

Chairman Hruby: Continue, Mr. Hedrick.

Chief Engineer: The second Resolution is to award Contract No. 70-12-02 for Embankment Rehabilitation of the approaches for the Four Mile House Road Bridge at Milepost 88.15, Carley Road Bridge, Milepost 94.70 and Karbler Road Bridge located at Milepost 98.1, all located in Sandusky County, Ohio. This Project, which is the third in our commitment for the rehabilitation of eleven bridges in Sandusky County, was accounted for in the 2012 Capital Improvement Budget. Procurement received five bids for this work. These bids were evaluated by the Engineering staff. Based upon this review, it was determined the lowest responsive bid, in the amount of \$2,041,883.45, was submitted by the Mark Schaeffer Excavating Company of Norwalk, Ohio. The bid is below the Engineer's estimate. This company has not previously performed work for the Commission as well. Again, we did our due diligence in reviewing both references and their capacity to perform the work. These references were contacted and included both private and ODOT agencies for which they have performed work. We received positive feedback from those agencies, and believe that Mark Schaeffer Excavating has ample capacity to perform this Project. The Resolution also contains provisions to assign S &

ME, Inc. of Valley View, Ohio to perform construction administration and inspection services. If the General Counsel would please read the Resolved.

General Counsel: RESOLVED that the bid of **Mark Schaeffer Excavating**, of **Norwalk, Ohio**, in the amount of **\$2,041,883.45** for the performance of Contract No. 70-12-02 is, and is by the Commission, determined to be the lowest responsive and responsible bid received for the performance of said Contract, and is accepted, and that the Chairperson and Executive Director, or either of them, hereby is authorized to: 1) execute a Contract with said successful bidder in the form heretofore prescribed by the Commission pursuant to the aforesaid bid, 2) direct the return to the bidders of their bid security, when appropriate, and 3) take any and all action necessary or proper to carry out the terms of said bid and of said Contract; and

FURTHER RESOLVED that the Commission hereby authorizes the Chief Engineer to assign **S&ME, Inc.**, of **Valley View, Ohio**, to Contract No. 70-12-02 for the purpose of performing construction inspection and materials testing, in accordance with the Agreement specific to this Project; and

FURTHER RESOLVED that Project No. 70-12-02 is designated a System Project under the Commission's 1994 Master Trust Agreement.

Chairman Hruby: I'll move adoption.

Vice Chairman Balog: Second.

Chairman Hruby: Any discussion or questions?

Senator Patton: If the Chief Engineer could repeat – he said this is Phase III of the Sandusky County. Is this the final phase or, is there more to come?

Chief Engineer: Mr. Chairman and Senator Patton, this is the third of our projects. There are still several more overpasses that we will need to do and we will have those completed by 2014 in accordance with our agreement.

Senator Patton: Okay. Thank you, Mr. Chairman.

Chairman Hruby: Anything else? Hearing none, roll call.

Asst. Secretary Hodges: Chairman Hruby.

Chairman Hruby: Yes.

Asst. Secretary Hodges: Vice Chairman Balog.

Vice Chairman Balog: Yes.

Asst. Secretary Hodges: Secretary Barber.

Secretary Barber: Yes.

Asst. Secretary Hodges: Commissioner Dixon.

Mr. Dixon: Yes.

Asst. Secretary Hodges: Commissioner Pakush.

Mr. Pakush: Yes.

Asst. Secretary Hodges: It's unanimous.

OHIO TURNPIKE COMMISSION

Resolution Awarding Contract No. 70-12-02 for Embankment Rehabilitation Project, Sandusky County, Ohio

WHEREAS, the Commission has duly advertised according to law for bids upon a Contract for the following Embankment Rehabilitation Project in Sandusky County: Four Mile House Road Approaches at Milepost 88.15; Carley Road Approaches at Milepost 94.70; and Karbler Road Approaches at Milepost 98.10, herein designated **Contract No. 70-12-02**; and

WHEREAS, this Project is being performed in conformance with Ohio Revised Code Section 5537.051, and pursuant to the Agreement that the Commission has entered into with Sandusky County for the rehabilitation of embankment approaches at eleven grade separations located at Turnpike overpasses in that County; and

WHEREAS, expenditures for the award to be made under Contract No. 70-12-02 will exceed \$150,000.00, and, therefore, in accordance with Article V, Section 1.00 of the Commission's Code of Bylaws, Commission action is necessary for said Contract award; and

WHEREAS, the Commission received five bids for the performance of said Contract, and said bids have been reviewed and analyzed by the Commission's Chief Engineer, whose report concerning such analysis is before the Commission; and

WHEREAS, the Chief Engineer has reported that the lowest responsive and responsible bid for the performance of Contract No. 70-12-02 was submitted by **Mark Schaeffer Excavating** of **Norwalk, Ohio**, in the amount of **\$2,041,883.45**, which company has the capacity to perform this Project, and which bid he has recommended be accepted by the Commission; and

WHEREAS, the Commission has also been advised by the General Counsel that bids for Contract No. 70-12-02 were solicited on the basis of the same terms and conditions and the same specifications, that the bid of Mark Schaeffer Excavating for Contract No. 70-12-02 conforms to the requirements of Ohio Revised Code Section 5537.07, Section 9.312 and Section 153.54, and that a performance bond with good and sufficient surety has been submitted by said bidder; and

WHEREAS, the Executive Director has reviewed the reports of the Chief Engineer and the General Counsel and predicated upon such analysis, concurs that Contract No. 70-12-02 be awarded to the lowest responsive and responsible bidder, Mark Schaeffer Excavating; and

WHEREAS, the Commission has duly considered such recommendations.

NOW, THEREFORE, BE IT

RESOLVED that the bid of **Mark Schaeffer Excavating**, of **Norwalk, Ohio**, in the amount of **\$2,041,883.45** for the performance of Contract No. 70-12-02 is, and is by the Commission, determined to be the lowest responsive and responsible bid received for the performance of said Contract, and is accepted, and that the Chairperson and Executive Director, or either of them, hereby is authorized to: 1) execute a Contract with said successful bidder in the form heretofore prescribed by the Commission pursuant to the aforesaid bid, 2) direct the return to the bidders of their bid security, when appropriate, and 3) take any and all action necessary or proper to carry out the terms of said bid and of said Contract; and

FURTHER RESOLVED that the Commission hereby authorizes the Chief Engineer to assign **S&ME, Inc.**, of **Valley View, Ohio**, to Contract No. 70-12-02 for the purpose of performing construction inspection and materials testing, in accordance with the Agreement specific to this Project; and

FURTHER RESOLVED that Project No. 70-12-02 is designated a System Project under the Commission's 1994 Master Trust Agreement.

(Resolution No. 43-2012 adopted October 15, 2012)

Chairman Hruby: Continue, Mr. Hedrick.

Chief Engineer: The final Resolution for your consideration this morning is the authorization to award multiple contracts for the delivery and furnishing of Sodium Chloride to various Turnpike locations. Bid Invitation No. 4187 was issued by Procurement for 15

separate locations across the Turnpike. Quantities ranged from as little as 300 tons to a maximum of 6,800 tons. Bidders could bid on each location and bids were to include the cost of transportation in their unit price to those locations. The Invitation was structured so the Commission must purchase a minimum of 75% of the bid quantity, but could also purchase up to a maximum of 130% of this same bid quantity. A total of 44 notices were sent to interested companies, however, only a total of four companies responded with bids. A review of these bids by the Engineering staff concluded the following: North American Salt Company, of Overland Park, Kansas provided the lowest responsive bid for locations that include 1 thru 9. This region spans from the western most facility located at the Kunkle Maintenance Building located at Milepost 16 to the Amherst Maintenance Building located at Milepost 141.0. The bid quantity totaled 11,200 tons of sodium chloride. This bid amount totaled \$466,067.00 with the total bid at 130% maximum at \$605,887.10. Cargill Inc., of North Olmstead, Ohio, is lowest responsive bidder for locations 10-12. This zone spans from the salt dome at Interchange 161 to the Salt Dome at Interchange 187. These locations also totaled 11,200 tons for a total bid price of \$529,878.00 and a 130% maximum bid of \$688,841.40. Finally, Morton Salt, Inc., of Chicago Illinois, is the lowest responsive bidder for locations 13-15 which run from the Hiram Maintenance Building to the Canfield facility. The total quantity for these locations is 9,300 tons for a total base bid of \$426,526.00 and a maximum bid of \$544,483.80. While the results per location and average unit price vary, the overall result is an 18% reduction in bids from 2011. It does appear there is an unusual difference in pricing for some geographic locations when they are compared to those prices secured by ODOT. These are particularly noticeable in the Cuyahoga, Summit and Portage County regions. Some of these variances in unit prices though

can be attributed to the difference in volumes between ODOT and the Ohio Turnpike Commission. Based upon our review, it is recommended to proceed with the award as described.

If the General Counsel will please read the Resolved.

General Counsel: RESOLVED that the bids of the following companies:

<u>Items</u>	<u>Company</u>	<u>Total Award</u>
1, 2, 3, 4, 5, 6, 7, 8 & 9	North American Salt Company Overland Park, Kansas	\$ 605,887.10
10, 11 & 12	Cargill, Inc. Deicing Technology Business Unit, N. Olmsted, Ohio	\$ 688,841.40
13, 14 & 15	Morton Salt, Inc. Chicago, Illinois	\$ 554,483.80
Grand Total of Awards		\$1,849,212.30

for Invitation No. 4187 are, and are by the Commission deemed to be the lowest responsive and responsible bids received, and the Executive Director and the General Counsel, or either of them, is hereby authorized to: 1) execute a Contract with each successful bidder in the form heretofore prescribed by the Commission pursuant to the aforesaid Invitation, which Contract awards reflect 130% of estimated quantities bid for each applicable delivery destination, 2) direct the return to the bidders of their bid securities at such time as the successful bidders have each entered into a Contract, and 3) take any and all action necessary to properly carry out the terms of said Contracts.

Chairman Hruby: For the Resolved, I'll move adoption of the Resolution.

Mr. Pakush: I'll second.

Chairman Hruby: Moved and seconded. Any discussion or questions? Yes, Mr. Dixon.

Mr. Dixon: How do these compare to the quantities that we bought last year?

Chief Engineer: Mr. Chairman and Commission Member Dixon, they are much lower. Obviously, we had quite a bit of salt on hand from last year. I don't have the exact numbers on hand for comparison but, we can get that for you if you would like.

Chairman Hruby: Anything else? Hearing none, roll call.

Asst. Secretary Hodges: Chairman Hruby.

Chairman Hruby: Yes.

Asst. Secretary Hodges: Commissioner Pakush.

Mr. Pakush: Yes.

Asst. Secretary Hodges: Vice Chairman Balog.

Vice Chairman Balog: Yes.

Asst. Secretary Hodges: Secretary Barber.

Secretary Barber: Yes.

Asst. Secretary Hodges: Commissioner Dixon.

Mr. Dixon: Yes.

Asst. Secretary Hodges: It's unanimous.

OHIO TURNPIKE COMMISSION

Resolution Concerning Award of Contracts for Sodium Chloride (Rock Salt) Pursuant to Invitation No. 4187

WHEREAS, the Commission has duly advertised in accordance with law for bids for Invitation No. 4187 for furnishing its requirements for sodium chloride (rock salt) estimated at approximately 31,700 tons; and

WHEREAS, expenditures under the Contracts to be awarded for rock salt under Invitation No. 4187 will exceed \$150,000.00 and, in accordance with Article V, Section 1.00 of the Commission’s Code of Bylaws, Commission action is necessary for the award of such Contracts; and

WHEREAS, four bids were received in response to the Invitation, which included quotations for rock salt and freight charges to designated delivery locations delineated in the Bid Schedule as Items 1 through 15; and

WHEREAS, the Bidding Documents require that the Commission shall purchase a minimum of 75% of the estimated quantities set forth in the Bid Schedule and, because the severity of the snow and ice season for 2012/2013 is unpredictable, the Bidding Documents also allow for the Commission to purchase up to 130% of the estimated quantities bid for each designated delivery location; and

WHEREAS, the bids were reviewed and analyzed by the Assistant Chief Engineer, Highway and Maintenance, whose report concerning such analysis is before the Commission; and

WHEREAS, the Assistant Chief Engineer, Highway and Maintenance, has reported that the following companies submitted the lowest responsive and responsible bids for the rock salt, including freight:

<u>Items and Estimated Tons</u>	<u>Company</u>	<u>Bid Amount based on Estimated Quantities and Freight Charges</u>	<u>Total Bid Including 130% of Estimated Quantities</u>
1, 2, 3, 4, 5 6, 7, 8 & 9 (11,200 tons)	North American Salt Company Overland Park, Kansas	\$ 466,067.00	\$ 605,887.10
10, 11 & 12 (11,200 tons)	Cargill, Inc. Deicing Technology Business Unit, N. Olmsted, Ohio	\$ 529,878.00	\$ 688,841.40
13, 14 & 15 (9,300 tons)	Morton Salt, Inc. Chicago, Illinois	\$ 426,526.00	\$ 554,483.80
Totals bid reflecting 130% of estimated quantities (where applicable), including freight			\$1,849,212.30

WHEREAS, the Assistant Chief Engineer, Highway and Maintenance, has further reported that the bidders propose to furnish materials and services in accordance with the Commission’s Specifications, and he, therefore, has recommended that the Commission proceed with awards of the following Contracts in the amounts indicated above: 1) Items 1, 2, 3, 4, 5, 6, 7, 8 and 9 to North American Salt; 2) Items 10, 11 and 12 to Cargill; and 3) Items 13, 14 and 15 to Morton Salt; and

WHEREAS, the General Counsel has advised the Commission that the low bids of North American Salt; Cargill and Morton Salt, as delineated above, comply with the Commission’s Domestic and Ohio Preference Policy; and

WHEREAS, the General Counsel has further advised that all bids for Invitation No. 4187 were solicited on the basis of the same terms, conditions and specifications, that the bids of North American Salt, Cargill and Morton Salt each conform to the requirements of Ohio Revised Code Sections 5537.07 and 9.312, and that a bid guaranty and performance bond of good and sufficient surety has been submitted by each bidder; and

WHEREAS, the Executive Director has reviewed the reports of both the Assistant Chief Engineer, Highway and Maintenance, and the General Counsel and, predicated upon such analysis, has made his recommendation that Contracts be awarded for Items 1, 2, 3, 4, 5, 6, 7, 8 and 9 to North American Salt; Items 10, 11 and 12 to Cargill; and Items 13, 14 and 15 to Morton Salt; and

WHEREAS, the Commission has duly considered such recommendations.

NOW, THEREFORE, BE IT

RESOLVED that the bids of the following companies:

<u>Items</u>	<u>Company</u>	<u>Total Award</u>
1, 2, 3, 4, 5, 6, 7, 8 & 9	North American Salt Company Overland Park, Kansas	\$ 605,887.10
10, 11 & 12	Cargill, Inc. Deicing Technology Business Unit, N. Olmsted, Ohio	\$ 688,841.40
13, 14 & 15	Morton Salt, Inc. Chicago, Illinois	\$ 554,483.80
Grand Total of Awards		\$1,849,212.30

for Invitation No. 4187 are, and are by the Commission deemed to be the lowest responsive and responsible bids received, and the Executive Director and the General Counsel, or either of them, is hereby authorized to: 1) execute a Contract with each successful bidder in the form heretofore prescribed by the Commission pursuant to the aforesaid Invitation, which Contract awards reflect

130% of estimated quantities bid for each applicable delivery destination, 2) direct the return to the bidders of their bid securities at such time as the successful bidders have each entered into a Contract, and 3) take any and all action necessary to properly carry out the terms of said Contracts.

(Resolution No. 44-2012 adopted October 15, 2012)

Chief Engineer: That concludes my report. Thank you, Mr. Chairman.

Chairman Hruby: Thank you very much. We will move on to our CFO/Comptroller, Marty.

CFO/Comptroller: Thank you, Mr. Chairman. I have a brief update on our traffic and revenue for the month of September and the Commission's financial results for the third quarter. This first chart shows the monthly passenger car miles traveled on the Ohio Turnpike over the past two years. The passenger car vehicle miles traveled declined for the second time in the last three months and were 4.3% lower than last year in September. Commercial traffic also declined and was 4.2% lower than in September of last year.

The increased revenue from the toll rate increase in January was partially offset by the lower level of traffic, so passenger car toll revenue was only 3.5% higher than last year in September. For the year-to-date, passenger car toll revenue is 9.4% higher than last year in September. Commercial vehicle toll revenues were also impacted by the lower level of traffic and, as a result, were only 4% higher than last year in September. Year-to-date commercial vehicle toll revenue is 10.1% higher than last year.

This chart shows the year-to-date toll revenues through the month of September during each year over the past decade. Toll revenues for the first nine months of this year were \$17 million or, 9.7% above the amount from last year.

This report shows the actual and budgeted revenue, expenditures and transfers for the General Fund for the first nine months of the year. Total revenues for the first three-quarters of the year are \$5 million or, 2.5% above budget and \$17 million or, 9% above last year. Almost all of the revenue increase is due to the increase in toll revenue.

Expenditures for the first nine months of the year, including debt service payments, were \$5.7 million or 4.3% lower than budgeted, and \$2.9 million or 2.3% higher than last year. Most of these savings from budget were related to lower toll collectors' salary expense and lower snow and ice removal cost due to the mild winter weather in 2012. These savings were partially offset by higher worker compensation cost due to the accident involving three workers in January. The increase in cost from last year is primarily due to the increase in workers' compensation expense, higher equipment maintenance costs and higher debt service payments. These higher costs were partially offset by the lower snow and ice removal costs and lower toll collector salary expense this year. If the increase in workers' compensation expense because of the accident is excluded, operation, maintenance and administration expenses are \$1.9 million less this year than last year. After paying our operation expenses and debt service, the balance of the revenue is used to fund our 2012 capital expenditures. \$78.2 million was transferred to our Capital funds in the first nine months of the year, which is \$10.5 million higher than budget. That completes my report, Mr. Chairman. I would be happy to answer any questions anyone might have.

Chairman Hruby: Thank you, sir. Are there any questions or comments? If none, we will move on then to the report of our General Counsel, Mrs. Weiss.

General Counsel: Thank you Chairman and Commission Members. I have one Resolution for your review today. In May, I informed the Board that I had received an informal

Attorney General's Opinion concerning the impact of Ohio's new oil and gas leasing statute and the Commission's authority to enter into either pooling agreements or oil and gas leases within the Commission's right of way. By way of history, the Commission originally adopted Resolution No. 26-1976 to delegate authority to the Executive Director to issue permits for the drilling of gas and oil wells and their constituents outside the Turnpike right of way and to collect any royalties due on behalf of the Commission. This authority emanates from both Ohio Revised Code §5537.04 and §5.08 of the Master Trust Agreement, which both allow the Commission to acquire and dispose of property as in the best interest of the Commission. To update the authority granted under Resolution 26-1976, the Commission adopted Resolution No. 1-2008 to allow for the Executive Director to take those actions necessary to execute permits, or request to include Commission property in drilling units for the extraction of oil and gas outside the Turnpike right of way or more than fifty-feet from the Turnpike. Essentially, these are pooling agreements. That Resolution further established that such permits could cause no adverse effect on the operations of the Turnpike system and that they would require the review and approval of the Consulting Engineer and the Engineering Department. The Commission subsequently also adopted Resolution 8-2011 under which it further clarified that requests to permit the drilling for oil and gas *within* the Turnpike right of way could be granted, but with the added imposition of certain safety and risk management requirements. Since the adoption of the aforementioned Resolutions, the legislature adopted a new oil and gas leasing law, H.B. 133, that took effect in September, 2011. The Commission has received an informal A.G.'s Opinion dated March 13, 2012, interpreting whether the newly enacted oil and gas leasing statutes under Ch. 1509 of the Ohio Revised Code regulate the authority of the Commission to enter into pooling agreements and/or oil and natural gas leases within the Turnpike right of way. The A.G. first

concluded that the Commission's governing statutes under Ohio Revised Code Ch. 5537 *do not* confer authority on the Commission to enter into either oil or natural gas leases or pooling agreements, nor do they specifically authorize the Commission to convey the state's oil and natural gas resources, but rather that such authority emanates from Ch. 509 of the Ohio Revised Code. The A.G. concluded that the Commission is required to comply with Ohio Revised Code §1509.73 when entering into an oil or natural gas lease, or establishing and collecting bid fees, signing fees or rentals in connection with an oil or natural gas lease. And, further, the Commission is required to comply with Ohio Revised Code §1509.77 when entering into any *new* pooling agreements, and all pooling agreements presently in place those prior to the enactment of the new statute were governed by §1509.24-27 of the Ohio Revised Code. The A.G. further concluded that pooling agreements entered into by the Commission are not subject to the requirement that revenues be transferred to the state treasury either before or after the amount of System Pledge Revenues exceeds 200% of the annual debt service requirement under §4.16 of our Master Trust Agreement. However, for any agreements that may be entered into for oil and gas leasing in the Commission's right of way, royalty payments from such leases may only be retained only until after the amount of System Pledge Revenues exceeds 200% of the annual debt service requirement, but thereafter, after conducting our annual review of the financial condition as required by both §5537.17 of the Ohio Revised Code and §4.04 of the Master Trust Agreement, the Commission must then remit those revenues in excess of that amount to the state treasury. In addition, any rentals, signing fees, or bid fees received by the Commission under any oil or natural gas lease may *not* be retained by the Commission, but must immediately be forwarded to the state treasury. Because the opinion conflicts with the previous

authority granted under the Resolutions adopted by the Board, it is now necessary to clarify that authority. So, with your permission, I would like to read the Resolved.

Chairman Hruby: Please do.

General Counsel: RESOLVED that the Commission hereby authorizes the Executive Director and General Counsel to take those actions necessary to effectuate this Resolution, and to permit the continued negotiation and execution of permits that allow pooling agreements or the drilling for oil or gas within the Ohio Turnpike right of way subject to those restrictions previously established pursuant to Resolution Nos. 26-1976, 1-2008 and 8-2011, as well as the restrictions established under newly enacted provisions of Chapter 1509 of the Ohio Revised Code.

And, I would be happy to answer any questions.

Mr. Pakush: Moved to adopt.

Chairman Hruby: We have a motion to adopt and I'll second that motion. Are there any questions or comments? If you would, I would like to hear your explanation for the new Resolution. So, this new Resolution supersedes the Resolution of 1976 and the key to that is the permit of the pooling. Is that correct?

General Counsel: Mr. Chairman, yes, the intention of this Resolution is to supersede the prior Resolutions and further clarify them. The Commission still has the authority pursuant to both the Master Trust Agreement and the Ohio Revised Code to conduct drilling operations both within our right of way, and to enter into pooling agreements. However, these newly enacted statutes by the state set forth new requirements for what revenues therefrom have to be remitted to the state. We can continue to retain those funds from pooling agreements, as we presently have them, according to the A.G. We can continue to retain those funds from. But, if we enter into any oil or natural gas leases within our right of way, it is more than likely that all of those revenues will need to be remitted to the state, and if there are any rental fees, or bid fees associated with those leases, those have to be remitted immediately. It's just that the lease rental

amounts that we receive would only have to be remitted after we conduct our annual financial review. But, in all likelihood, all of those funds would go to the state treasury.

Chairman Hruby: Okay. Any further questions? Hearing none, roll call.

Asst. Secretary Hodges: Commissioner Pakush.

Mr. Pakush: Yes.

Asst. Secretary Hodges: Chairman Hruby.

Chairman Hruby: Yes.

Asst. Secretary Hodges: Vice Chairman Balog.

Vice Chairman Balog: Yes.

Asst. Secretary Hodges: Secretary Barber.

Secretary Barber: Yes.

Asst. Secretary Hodges: Commissioner Dixon.

Mr. Dixon: Yes.

Asst. Secretary Hodges: It's unanimous.

OHIO TURNPIKE COMMISSION

Resolution Clarifying Authority of the Ohio Turnpike Commission to Grant Permits for Pooling Agreements and/or for the Extraction of Oil and Gas from the Ohio Turnpike Right of Way

WHEREAS, the Commission has the authority under O.R.C. Section 5537.04 to make or enter into agreements necessary or incidental to the performance of its duties, and to acquire, hold and dispose of property necessary or incidental to the exercise of its powers; and

WHEREAS, Section 5.08 of the Master Trust Agreement between the Commission and Huntington National Bank dated February 15, 1994, authorizes the Commission, by resolution, to dispose of such property or any interest therein that it determines is no longer useful or necessary for the operations or maintenance of the Turnpike System if the Consulting Engineer consents to such action or disposition in writing; and

WHEREAS, the Commission adopted Resolution No. 26-1976 to delegate authority to the Executive Director “to issue permits for the drilling of gas and oil wells and their constituents outside the Turnpike right of way . . . and to collect any royalties due on behalf of the Commission;” and

WHEREAS, the Commission, in an effort to promote the development of new energy sources within the State of Ohio and to update the authority granted under Resolution No. 26-1976, adopted Resolution No. 1-2008 to allow for the Executive Director to take those actions necessary “to execute permits or requests to include Commission property in drilling units for the extraction of oil and gas outside the Turnpike right of way or more than fifty (50) feet from the Turnpike” (pooling agreements); and

WHEREAS, Resolution No. 1-2008 further established that such permits could cause no adverse effect on the operations of the Turnpike System, and that they would require the review and approval of the Consulting Engineer and Engineering Department; and

WHEREAS, the Commission subsequently also adopted Resolution No. 8-2011 under which it further clarified that requests to permit the drilling for oil and gas within the Ohio Turnpike right of way could be granted pursuant to the restrictions of Resolution No. 1-2008, but also subject to the imposition of certain safety and risk management requirements; and

WHEREAS, since the adoption of Resolution Nos. 1-2008 and 8-2011, the legislature adopted a new “Oil and Gas Leasing” law, H.B. 133, enacted on September 30, 2011, and the Commission has received an Informal Opinion dated March 13, 2012, from the Ohio Attorney General’s Office (“AGO”) interpreting whether the newly enacted oil and gas leasing statutes under Ohio Revised Code Chapter 1509 regulate the authority of the Commission to enter into pooling agreements and/or oil or natural gas leases within the Ohio Turnpike right of way; and

WHEREAS, the AGO first concluded that the Commission’s governing statutes under Ohio Revised Code Chapter 5537 do not confer authority on the Commission to enter into either oil or natural gas leases or pooling agreements, nor do they specifically authorize the Commission to convey the state’s oil and natural gas resources, but rather, that such authority emanates from Chapter 1509 of the Ohio Revised Code; and

WHEREAS, the AGO concluded that the Commission is required to comply with Ohio Revised Code Section 1509.73 when: (1) entering into an oil or natural gas lease, or (2) establishing and collecting bid fees, signing fees, or rentals in connection with an oil or natural gas lease; and further that the Commission is required to comply with: (1) Ohio Revised Code Section 1509.77 when entering into any new pooling agreements to form drilling units, and (2) that all pooling agreements in existence prior to the enactment of Ohio Revised Code Section 1509.77 were governed by Ohio Revised Code Sections 1509.24-27; and

WHEREAS, the AGO further concluded that pooling agreements entered into by the Commission are not subject to the requirement that revenues be transferred to the state treasury either before or after the amount of System Pledged Revenues exceeds 200% of the Annual Debt

Service Requirement under Section 4.16 of the Commission's Master Trust Agreement, however, for any agreements that may be entered into for oil and gas leasing in the Commission's right of way, as previously authorized by Resolution 8-2011, royalty payments from such leases may be retained only until the amount of System Pledged Revenues exceeds 200% of the Annual Debt Service Requirement, but thereafter, after conducting its annual review of its financial condition as required by Ohio Revised Code Section 5537.17(E) and Section 4.04(b) of the Master Trust Agreement, the Commission must remit those revenues in excess of that amount to the state treasury, and further any rentals, signing fees, and bid fees received by the Commission under an oil or natural gas lease may not be retained by the Commission, and must be forwarded immediately to the state treasury; and

WHEREAS, it is the desire of the Commission to clarify the authority previously granted under Resolution Nos. 26-1976, 1-2008 and 8-2011 to the Executive Director to enter into pooling agreements or to permit the drilling for oil and gas within the Ohio Turnpike right of way.

NOW, THEREFORE, BE IT

RESOLVED that the Commission hereby authorizes the Executive Director and General Counsel to take those actions necessary to effectuate this Resolution, and to permit the continued negotiation and execution of permits that allow pooling agreements or the drilling for oil or gas within the Ohio Turnpike right of way subject to those restrictions previously established pursuant to Resolution Nos. 26-1976, 1-2008 and 8-2011, as well as the restrictions established under newly enacted provisions of Chapter 1509 of the Ohio Revised Code.

(Resolution No. 45-2012 adopted October 15, 2012)

Chairman Hruby: We'll move on then. Is there a report from our financial advisor, Mr. Adams?

Mr. Adams: No report, Mr. Chairman.

Chairman Hruby: Is there a report from our general consultant, Mr. Buchanan?

Mr. Buchanan: Thank you, Mr. Chairman and Commission Members. You should have in your packets your annual report. I was just going to give you a brief overview of what that contains. We have done our annual inspection of all of the facilities of the Turnpike consisting of all of the pavements, bridge structures, culverts, sign structures and all of the building facilities. We have concluded that all of the facilities are in very good condition. We

are continuing to work with the Chief Engineer and his staff on any deficiencies that are found and to remedy those. That concludes my report. Are there any questions that I can answer?

Chairman Hruby: No questions? Thank you very much. Mr. Lamb for our Trustees.

Mr. Lamb: No report, Mr. Chairman.

Chairman Hruby: Do we have a report from the Ohio State Highway Patrol, Lt. Sivak?

Lt. Sivak: Good morning, sir. I would like talk about the traffic crashes in general across the Turnpike today. For the first nine months we have experienced a 4% reduction in overall traffic crashes across the roadway. However, the traffic fatalities have shown an increase over the same period as last year. We are presently at seven traffic fatalities compared to two for the same period last year. Looking at these crashes, the bulk of them can be attributed to either following too close or, sleepy drivers. As a result of this, we are continuing to focus our enforcement efforts on the following too close and, also, drivers that fail to maintain their lanes for a variety of reasons whether it's inattention or sleepy drivers. Although we have experienced a reduction in our personnel, for the first nine months here we have initiated over 92,000 traffic contacts with the public on the Ohio Turnpike, and this number is virtually unchanged when you compare this to the same time period from last year.

One traffic stop in particular that I would like to talk about involved our aviation unit. This occurred a couple of weeks ago back on October 4th. This was a speed enforcement stop and, through checking the driver's history, we discovered he had a felony bank robbery out for him. He had just robbed a bank in Akron one day prior. He was also in possession of heroin drug paraphernalia and had dye-stained cash on him as well. We were able to take him into

custody without incident and he is pending extradition to Akron. That is all I have for my report today. Are there any questions from anybody?

Chairman Hruby: Thank you very much. You continue to do a great job for us and we appreciate very much. Are there any other issues from anyone on the Commission? Hearing none, our next meeting will be on Monday, November 19, 2012 at 10:00 a.m. here at the Ohio Turnpike Commission Administration Building. If there is no further business, I will move to adjourn.

Vice Chairman Balog: I'll second.

Chairman Hruby: Moved and seconded. All those in favor signify by saying "aye." All Commission members say "aye." We are adjourned.

Attendees For Record Keeping Purposes:

John Adams, Fifth Third; David Tiggett, Fifth Third; Scott Buchanan, URS; Beth Fulton, URS; Tom Parevosnik, IUOE 18; Joe Casto, IUOE 18; Gary Tiboni, Teamsters; Dennis Kashi, Teamsters Local 436; Jack Fortesquie, Teamsters Local 436; Chris Pavone, Teamsters Local 436; Chris New, HMS; Frank Lamb, Huntington Bank; Alysia Lorincz, HNTB; Dennis Golem, Wells Fargo; Vic Spinabelli, Hill; Staff Lieutenant Monte Morgan, Ohio State Highway Patrol; Lieutenant Jim Sivak, Ohio State Highway Patrol; Brandon Kroeger, Digizoom Media; Richard Stewart, Digizoom Media; Dick Boylan, RLB Group; Jerid Kurtz, Ohio Democratic Party; Rob Fleischman, GPI; Greg Murphy, ODOT; Tim Biggam, ODOT; Marty Seekely, Ohio Turnpike; Tony Yacobucci, Ohio Turnpike; Joseph Disantis, Ohio Turnpike; Mark Musson, Ohio Turnpike; Dale Perram, Ohio Turnpike; Ed Miller, Ohio Turnpike; Donna Fritz, Ohio Turnpike; Jennifer Diaz, Ohio Turnpike; Dennis Albrecht, Ohio Turnpike; Dave Miller, Ohio Turnpike; Lauren Hakos, Ohio Turnpike; Sharon Isaac, Ohio Turnpike; Robin Carlin, Ohio Turnpike, James Filbert, Ohio Turnpike;
Time of adjournment: 11:06 a.m.

Approved as a correct transcript of the proceedings
of the Ohio Turnpike Commission

Sandra K. Barber, Secretary-Treasurer