

MINUTES OF TWENTIETH MEETING

JULY 3, 1951

Pursuant to call of the Chairman, the Ohio Turnpike Commission met in regular open session in Room 1012 A, State Office Building, Columbus, Ohio, at 10:45 o'clock a. m. on July 3, 1951 with the Governor of Ohio, Chief Justice Weygandt and Associate Justice Zimmerman of the Ohio Supreme Court, Senators Winter and Bartunek of the Ohio General Assembly, representatives of the press, of the Attorney General of Ohio, of the Department of Highways, representatives of the consulting engineers, and others also in attendance.

The meeting was called to order by Mr. Teagarden, the Vice Chairman, and the roll was called and the attendance was reported to be as follows:

Present: Shocknessy, Teagarden, McKay, Kauer, Seasongood  
Absent: None

Whereupon the Vice Chairman announced that a quorum was present.

Thereupon the Vice Chairman undertook the first order of business which was the administering of the oath of office to Mr. Shocknessy, he having been reappointed for an eight year term. Chief Justice Weygandt administered the oath of office to Mr. Shocknessy and Mr. Shocknessy was seated as a member of the Commission.

Thereupon the Vice Chairman announced the next order of business to be the election of officers and asked for nominations. A motion was made by Mr. McKay, seconded by Mr. Seasongood, that the following officers be nominated and be elected for the term ending July 1, 1953:

For Chairman	Mr. James W. Shocknessy
For Vice Chairman	Mr. O. L. Teagarden
For Secretary-Treasurer	Mr. T. J. Kauer

There being no other nominations, a vote by ayes and nays was taken and all members present responded to roll call and voted aye. The vote was as follows:

Ayes, Shocknessy, Teagarden, Seasongood, McKay, Kauer  
Nays, None

The Vice Chairman declared the motion to be adopted and relinquished the chair to Mr. Shocknessy, the newly elected Chairman.

The Chairman gave his assurance to the members of the Commission that the same cooperation and the same objectives which the Commission has been striving for during nearly two years are still the objectives of the Commission, and will be, and are renewed today.

A motion was made by Mr. McKay, seconded by Mr. Teagarden, that the reading of the minutes for the meeting of June 5, 1951 be dispensed with and that the minutes be adopted as corrected and presented to the members of the Commission since the last meeting. A vote by ayes and nays was taken and all members present responded to roll call and voted aye. The vote was as follows:

Ayes, Shocknessy, Teagarden, Seasingood, McKay, Kauer  
Nays, None

The Chairman declared the motion adopted.

At this time the Governor of Ohio entered and participated in the remainder of the meeting.

Thereupon the Secretary-Treasurer reported that since the last meeting of the Commission the following had occurred:

- a. An increasing number of applications have been received for employment with the Commission and have been acknowledged.
- b. The letters of Mr. Paul W. Walter and Mr. Louis Bromfield which indicated concern for the protection of the scenic beauty of Ohio along the route of the turnpike have been acknowledged. A number of additional communications on this subject also have been received and acknowledged.
- c. The copy of the Prospectus for \$3,900,000 Additional Bridge Bonds for the Delaware River Bridge was obtained and forwarded to Mr. Henry Crawford of Squire, Sanders and Dempsey.
- d. Governor Lausche returned Senate Bill No. 359, known as the Blackburn Bill, to the General Assembly with his objections on June 13, 1951. The General Assembly sustained the Governor's veto.

In the absence of objection the report of the Secretary-Treasurer was received and accepted.

Thereupon the Chairman invited the Director of Highways to report to the Commission and the Director of Highways presented the letters of transmittal by which the consulting engineers had submitted the tentative drafts of their engineering reports to the Director of Highways. These letters of transmittal and the accompanying maps were immediately made available to the representatives of the press for publication.

Mr. Edward Donnelly of the J. E. Greiner Company then explained the report of his company as to the location and cost of the turnpike project. He answered many questions which were raised by the Governor of Ohio and the members of the Commission with respect to safety features, terrain conditions, foundation investigations, design criteria, and right of way acquisition.

Thereupon Mr. Lawrence Waterbury of Parsons, Brinckerhoff, Hall and Macdonald read the tentative draft report of his firm as to traffic and prospective revenues of the turnpike project. Mr. Waterbury answered the several questions of the Governor of Ohio and the members of the Commission with respect to his report and stated his conviction that the project can be put together and financed.

The Chairman stated that, having heard the reports in some detail, it appeared that the Ohio Turnpike is a feasible project and that the Commission should be able to finance it on an attractive basis. Governor Lausche made the following statement: "The identity of the line has now been established. The possibility is great that you will have protests lodged asking that you move the line from the property of one owner and into the line of another property owner. My admonition is that you give due consideration, but in the final analysis that you do not yield unless it is established that the advice and conclusions of the engineers are wrong. We know that whenever you propose a public improvement some people complain that they may be injured by it. Those people are entitled to be fully compensated for whatever rights have been taken from them, but their individual convenience must yield for the general public welfare. As this question is raised I think it is essential that the line as recommended be accepted unless it is established that there was error made by the engineers and that another line is a better one."

The Chairman stated to the Governor that the Commission agrees entirely and has indicated by its actions so far and shall in the future so act that it will not yield to any private pressure or to any pressure except the general welfare which is the only pressure to which it can yield.

Thereupon Mr. Donal Hummer, representing the Maumee Valley Improvement Association, asked as to the earliest time his group might obtain a hearing with the engineers and with the Commission in order that they may show what they think is a reasonable route and a better route to the south of the Maumee area. Mr. Hummer was advised by the Chairman that the Director of Highways would arrange for a hearing concerning the location of the turnpike in the area of the Maumee River crossing with the consulting engineers and the Director of Highways and after presentation of the data related thereto, the Director of Highways would present the report of the consulting engineers and the Director to the Commission.

The Chairman reported that since the last meeting of the Commission the Chairman and Mr. Crawford had conferred with representatives of the Investment Bankers and representatives familiar with the insurance company financing of the New Jersey project to compile data with respect to the New Jersey method of financing and to begin preliminary work with Investment Banking representatives concerning the financing of the Ohio Turnpike. The Chairman called the attention of Commission members to the fact that within a short period of time the Ohio Turnpike Commission would have to begin its work of determination of the operating organization of the Ohio Turnpike Commission. He stated his personal belief that a general manager for the project is desirable and he proposed to the Commission that consideration be given to the matter of choosing a general manager and certain other key personnel. He then constituted himself and Mr. Kauer as a committee on the matter and announced that a report will be made to the Commission very quickly.

Thereupon Mr. Henry Crawford, the representative of bond counsel, reported to the Commission with respect to his visit to New York with the Chairman as follows:

"A meeting was arranged for June 13, 1951 with Mr. Richard Rand of Rand & Company, New York City, by Mr. Jerry Fischer of Parsons, Brinckerhoff, Hall and Macdonald regarding the New Jersey financing. Present at this meeting were Messrs. Rand, Shocknessy, and Crawford. Mr. Rand's firm was understood to be the one which originated the New Jersey plan of financing through insurance companies. He outlined the history and the principles adopted. Basically, the arrangement was that the New Jersey Commission was given a commitment by a group of insurance companies and state funds to loan \$220,000,000 which it would borrow over a period from February, 1950, to December 31, 1952. This resulted in savings of interest on the amount of bonds not issued. It was stated that such saving

amounted to about \$10,000,000. The Commission agreed to pay a fee of 1/2 of 1% for such commitment. In New Jersey there was a considerable interest in the turnpike on the part of one large insurance company situated in that state. Mr. Rand stated that by his efforts he had interested insurance companies in investing their funds in the bonds of the Commission upon a showing of prospective earnings adequate to finance the project.

This discussion with Mr. Rand was for the purpose of obtaining such factual information as was possible regarding the New Jersey plan. It was not possible in this meeting to develop whether insurance company funds would be available.

Arrangements were made through Mr. D. E. Murphy, the Chairman of the committee of the Ohio group formed to offer financing, for a conference with the national banking group of which the Ohio group is a part, in New York on June 14, 1951. The group met at 12:30 p. m. for lunch and continued in session until approximately 4:30 p. m. . Those attending were:

Reginald M. Schmidt, Vice President, Blyth & Co., New York  
James G. Couffer, Vice President, G. J. Van Ingen & Co., Inc., N. Y.  
Robie L. Mitchell of Mitchell & Pershing, New York  
Dennis E. Murphy, Vice Pres., The Ohio Company, Columbus  
Stanley McKie of Weil, Roth & Irving Co., Cincinnati  
H. B. McLaren of McDonald & Co., Cleveland  
R. O. Shepard of Prescott, Hawley & Co., Inc., Cleveland  
James W. Shocknessy, Chairman, Ohio Turnpike Commission, Cols.  
Henry J. Crawford of Squire, Sanders & Dempsey, Cleveland

The purpose of the meeting was to discuss turnpike revenue bond financing in general; the part that the banking group could play in it; the methods of selling and marketing such bonds; the method used by the New Jersey Commission; the possibilities of advertised sale and related matters.

The banking account includes substantially all of the investment bankers who have had experience in purchasing and marketing mortgage revenue bonds of new municipal or public enterprises. It includes all Ohio dealers who wanted to join the account. Large bankers or banking groups outside of the account would consist either of banks who are not qualified under laws and regulations to handle such matters, or are those who are not interested in the

handling of securities for projects not having established revenues. A third source of funds would be insurance companies who, according to our present information and in view of their apparent lack of interest, are probably not in a position to make large commitments at this time.

The account stated that it was large enough to handle a bond issue of the amount that would be involved.

It was pointed out that in order to market such bonds, it is essential to reach the investing public and the account has the membership and means of reaching investors in such bonds in all parts of the country.

Because of the handling of the Pennsylvania Turnpike bonds and other large issues of revenue bonds, Blyth and Company and Van Ingen and Company have acquired a great deal of experience in working out bond terms consistent with the needs and the revenues of the issuer and having provisions meeting the demands of investors. Such experience would be helpful to the Commission in its studies of the engineering reports, condition of the bond market, and the ultimate determination of the maturity schedule and other terms of the proposed bonds.

The account proposed that it act as bankers for the Commission; that it furnish the expert financial advice the Commission will need in successfully planning and selling a revenue bond issue of such great size; that it make the extensive studies of the engineering reports from a financial point of view, which will be required to determine the economic feasibility of the proposed turnpike; that based thereon it would make recommendations to the Commission as to bond maturities, call provisions and other terms for a successful sale of bonds; and that it would agree that it would at a later date make an offer for the purchase of bonds. It was understood, however, that the Commission would be free to sell the bonds to the bankers or others. A similar agreement was made with respect to the Pennsylvania Turnpike Commission bonds, and a copy is to be supplied for inspection by the Commission.

The engineering reports were discussed at some length. There was common agreement that such reports would have to be carefully studied, not only by the Com-

mission and its engineering and legal advisors, but also by any proposed purchasers of the bonds. An early study of the reports by the banking account would be advantageous to the Commission because in that way and before the reports are made final, the view of financial experts could be obtained. Such studies, however, would require a great deal of work and time by the banking account or any other possible purchaser of the bonds.

The sale by the New Jersey Commission to a group of insurance companies was discussed. The banking account stated that it had not been asked to bid for the bonds. The bonds were sold at an interest rate of 3-1/4 per centum per annum and some members of the account stated that, although they had not made a study at the time of the sale to determine the price, they were inclined to think that they could have bid for the bonds at an interest rate of 3%. The subsequent sales of such bonds at large premiums is some indication that the rate was high. Comment was also made that the terms of the New Jersey issue were adverse to the interest of the Commission, particularly because no bonds are callable, except from the sinking fund, until after ten years and because the mortgage securing them is a closed mortgage, thus not permitting additional bonds if needed to complete the project. The commitment fee of 1/2 of 1% over the period from February, 1950 to December 31, 1952 was thought too small to protect the insurance companies against the risk of a substantial decline in the market. It was stated that the saving to the New Jersey Commission because of the deferred delivery of bonds could have been more than offset by an initial delivery of all of the bonds at a better interest rate. Mention was also made of the fact that the exemption of the income of such bonds from Federal income taxation is not of the same advantage to insurance companies as it is to other investors, because their income from securities is exempt in any event<sup>11</sup>.

Mr. Dennis Murphy, the representative of the Ohio group which is a part of the national banking group, expressed his agreement with the report by Mr. Crawford and stated that his group was delighted to have the opportunity to discuss financing with the Ohio Turnpike Commission. The Chairman then requested that Mr. Crawford ascertain as soon as possible what interest, if any, the insurance companies will have in the financing of the Ohio Turnpike project.

Mr. Houston, the representative of the Attorney General of Ohio, stated that between now and the next meeting he intends to furnish

copies of a draft of By-Laws to the several members of the Commission.

The matter of a joint meeting with the Indiana and Pennsylvania Turnpike Commissions was discussed and it was the opinion of the members that such a joint meeting in Columbus would be in the best interest of the Ohio Turnpike project. It was agreed that the Secretary-Treasurer would invite both commissions to meet with the Ohio Turnpike Commission as its guests at a date to be established which will be agreeable to all concerned.

The Chairman expressed his appreciation and that of the Commission to the members of the press for their very great help in maintaining public interest in the Ohio Turnpike work. The Chairman also took notice of the fact that Senator Winter is now a member of the Public Utilities Commission and expressed the hope that he would continue to lend his help and cooperation as he has in the past. The Chairman made particular note of the presence in the meeting of Senator Bartunek.

There being no further business to come before the meeting, a motion was made by Mr. Teagarden, seconded by Mr. McKay, that the meeting adjourn subject to call of the Chairman. A vote by ayes and nays was taken and all members present responded to roll call and voted aye. The vote was as follows:

Ayes, Shocknessy, Teagarden, Seasongood, McKay, Kauer  
Nays, None

The Chairman declared the meeting adjourned. The time of adjournment was 2:00 o'clock p. m.

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



T. J. Kauer  
Secretary-Treasurer

July 24, 1951