

**MINUTES OF THE 438th MEETING OF
THE OHIO TURNPIKE COMMISSION**

April 13, 1998

Pursuant to the bylaws, the Ohio Turnpike Commission met in regular session in the Administration Building at 682 Prospect Street, Berea, Ohio at 10:05 a.m. on April 13, 1998, with members of the staff: Gino Zomparelli, General Counsel and Deputy Executive Director-External Services; Robert Arlow, Deputy Executive Director-Operations; David Wright, CFO/Comptroller, David H. Ransbury, Chief Engineer; Pat Patton, Government Liaison Officer and others in attendance.

Present: Ruth Ann Leever, Marilyn R. Baker,
Earl W. Williams, Gary Joseph, Senator M. Ben Gaeth,

Absent: Representative Sally Perz

The Chairman said that the minutes of the last Commission meeting of March 9, 1998 had been distributed to the Members for their comments, and she would accept a motion to adopt them without reading.

A vote of ayes and nays was taken and all Members present responded to roll call. The vote was as follows:

Ayes: Mr. Williams-yes; Mrs. Baker-yes; Mr. Joseph-yes and Mrs. Leever-yes.

Nays: None

The Chairman declared the minutes stood approved with all Members present voting in the affirmative.

The Chairman said the meeting was the 438th meeting of the Commission. She said it was being held at the Commission's headquarters as provided for in the Commission's Code of Bylaws. She said Jerry Wray was unable to attend today's meeting. (She said Mr. Gary Joseph, Assistant Director of ODOT, was authorized to

represent and vote for Mr. Wray.) She said that, also, Representative Sally Perz could not attend the meeting.

The Chairman said there were a number of guests at the meeting, and she would ask them to identify themselves as follows Tom Travis, Host Marriott; Bob Doherty, Merrill Lynch; Carol Mueller, Steve Wood, PaineWebber; Mary Sullivan , Pat Riley, Peck, Shaffer & Williams; Lt. Ron Kreuter and Lt. Col. Ken Morckel, OSHP; Bill Matlock, SBK Brooks; Frank Lamb, Huntington Bank, T. J. Moroco (Chronical Telegram); Heather Morrow, NatCity Investments; Stu Shear, Ohio Rehab. Services; Ken Marley, Hardee's Food Services; Larry McQuillian ARCI; Howard O'Malley, B & T Express; Marshall Bates, Alpha-Omega Environmental Co.; Mike Schippea, HNTB; Paul Scuria, Scuria & Associates; Debra Janik, Matt Bornstein and Bob Brown, Key Bank; Dennis Wilcox, Climaco, Climaco, Lefkowitz & Garofoli; Ryan Connors, Connors & Co.; Eric Erickson, The Ohio Co., Bobby Everhart, URS Greiner Co.; Claire Moore, Elna Edger, Susan Harper, Carol Gibson, League of Women Voters; Gordon Reis, Seasongood & Mayer, Mike McIntyre (The Plain Dealer); Bob Barnett, Public Affairs and Marketing; Barbara Lesko, Executive Director's secretary and Diane Pring, General Counsel's secretary.

The Chairman advised the members that copies of the Commission's 1997 Annual Report were distributed by Mr. Plain and Mr. Patton on March 30 to the Governor's Office and to the legislative leaders. The Turnpike Act requires that the initial dispersal of the report, which contains the outside independent's accountant's report, be made by April 1.

The Chairman said various reports would then be received and the Commission would act on a number of resolutions, draft copies of which had been previously sent to the members and updated drafts were also in the Members' folders. She said the resolutions would be explained during the appropriate reports.

The Chairman said that, if there were no questions, the report of the Secretary-Treasurer, Mrs. Baker, would be received.

Mrs. Baker said that the following listed items had been sent to the Members since the last regularly scheduled meeting of the Commission on March 9, 1998:

1. Weekly Traffic Statistics, et al.
2. Traffic Accident Summary for February 1998
3. Traffic and Revenue Report for February 1998
4. Financial Statement for February 1998
5. Draft of Commission Meeting Minutes of March 9, 1998
6. Investment Transactions for February 1998
7. *Turnpike Notes*, February 1998
8. Various News Releases

Leever: Is there any report on Budget & Finance?

Baker: Not at this time.

Leever: OK, Mr. David Wright.

Wright: Yes, first of all I'd like to report as of the first quarter you will be getting reports today that the total vehicles for the first quarter hit an all-time high in Turnpike history. We are pleased about that and also January 1998 was a record month for the Turnpike with total vehicles traveled, too. Also, I have revised the investment newsletter slightly. Basically, the data is the same, but I hope when you review the investment report monthly you'll see the first page is a summary and there is detail to support it attached. I think you'll find it a little easier to read.

Leever: That is good news, David, about the traffic statistics.

Plain: One point to add, Madame Chairman, commercial was also up slightly for that first quarter which I think is important along with high increase in passenger traffic.

Leever: I'd say that is very important.

Plain: Again, it's hard to equate some of these months because last year Easter fell in the first quarter and this year it's in the second quarter. And when you compare day-to-day traffic or week to week and you see the reports, it can throw it up and everybody is wondering why we are so low. So you have to look at a longer time period because some of these holidays can fluctuate the traffic – particularly the commercial traffic.

Leever: Senator Gaeth – it's your turn.

Gaeth: I buzzed right by them this morning and did not stop. No report.

Leever: Hopefully soon, we'll have some wonderful reports.

Gaeth: I'm waiting.

Plain: Madame Chairman, if I could, at this particular time we do have something to report on the new Travel Centers. We have let bids – advertised for bids and I'll ask Mr. Arlow to give us an idea on the pre-bid conferences that we'll have at Great Lakes and Towpath. Those bids went out; the plans are complete. The other pair of plazas, we are still working on the completion of the plans and we expect to also let those in sufficient time so we can have the completion dates the same, but those plans are not ready yet. Mr. Arlow, if you would let us know.

Arlow: Madame Chairman, we are going to have a pre-bid meeting on April 16 (this Thursday) at 10:00 a.m. at Great Lakes Service Plaza and at 2:00 p.m. at Erie Islands Service Plaza – the two pair of plazas which will be refurbished first. We will be answering any questions that the prospective bidders may have at that time. Our bid opening will be Wednesday, April 29. Construction will start in July 1998.

Plain: Madame Chairman, one of the reasons we are having these pre-bid conferences with all the contractors and subs is that if questions come up about the plans or the interpretation of the specifications, we'll have sufficient time to issue an addendum on those things and cover it before we open the bids.

Baker: We went through this before.

Williams: Is it my understanding that the pre-bid conferences that you are having and after that there is a week or so before the bids are due?

Arlow: Correct, the bidders have almost two weeks to submit their bids. So they will have sufficient time to get their questions answered prior to submitting their bid package.

Baker: I have a question. This was referred to me by a mother of a mentally retarded son, a grown man. She said that in Pennsylvania those plazas have what they call an attendant bathroom. Do ours?

Plain: Yes, ours will also. We call it a "Unisex" bathroom. People with small children or people that need care (elderly parents) you can utilize this type of bathroom.

Gaeth: Is my understanding correct that you are going to probably close those areas during construction? Clean it out and then build it?

Plain: That's correct. We found that it is the quickest way that we can get completion of the project. We had talked to the architect and I think we reported at some of the other meetings that if we had tried to maintain which creates a problem for the traveling public and risk management, based on accidents and things, and then you have reduced services that it would take approximately 17 months to complete (you take out a two-year period, in effect two summers which would be very difficult to make up so we hope to have these started by July 6 and completed before our target date (before Memorial Day of the following year.)

Gaeth: Another comments I'd like to make, and I've been born and raised in agriculture, have these farm produce outlets available. I think that has been received very favorably and I'm glad to see it.

Plain: We've had contact with them. We have had excellent coverage in the media about that. They are very excited. I have been speaking with them almost every week. I put them in touch with our architect to make sure we can incorporate that in these plans so they will have the opportunities. I was surprised with the numbers in Summit and Cuyahoga County for the Towpath and Great Lakes. I expected more of a response out west – towards Toledo in the big agricultural areas. Even here these is very much support.

We had a meeting in this room with a group of them. There was a couple from this area that was kind of negative on the whole thing. We sat and talked for 1-1/2 hours and by the time the meeting was over, they were the

biggest supporters. They are very excited about it. I think it's good when we can involve our neighbors along the corridor of the Turnpike to participate in some of this and to sell Ohio products – that's what it is all about.

Leever: Bob, I have a question. You are having the pre-bid meetings on April 16 and when are the bids opened?

Arlow: Wednesday, April 29.

Leever: And they would be ready to begin construction on July 1?

Arlow: After the bids are reviewed and it comes before the Commission at the next Commission Meeting (May 11) July 6 would be the start of the construction season.

Leever: Thank you, is there anything else? Mr. DiPietro?

Arlow: Mr. DiPietro is on vacation, but I can give his report on Employee Relations. We are in the process of setting up a meeting with the Union during the first week of May. We have the UE a number of dates and we are waiting for a response.

Zomparelli: These meetings are not on negotiations, Madame Chairman. It's just labor/management meetings. They are not collective bargaining negotiations. As Mr. Arlow pointed out, we have offered dates – I believe it's May 4 and 5 or 5 and 6th – whatever that Monday is. Hopefully, we'll have productive discussions at that time.

Plain: We would expect to have negotiations later on in the year. We'll be working out dates with the Union to get those started. Mr. Arlow, you might also want to report on what we're doing with the training with the supervisors and collectors.

Arlow: Our Director of Toll Operations is not here today, but she and her staff have developed a Customer Training Service Program for all of our toll collectors. It's been underway for about a month now and we are 2/3 complete with our training program for all our collectors and supervisors in customer relations regarding construction and other matters which arise at our toll centers with our customers and the response has been

overwhelming positive from our employees and supervision. We hope to have it finished in the next three weeks. The biggest response from the employees was “can we continue this every year.” The Director has recommended that we continue this in the future.

Leever: I think it's good for everyone.

Williams: I have a question – Is the training being done by an outside consultants or in-house?

Arlow: It's in-house, Mr. Williams. We have had an outside facilitator in the past and some of our management team has worked with that outside facilitator and our recommendation from our Director of Tolls was that we were able to do it with our in-house people and it's been received very well with our toll collectors.

Leever: Thank you, and now a report from our Executive Director.

Plain: Thank you, Madame Chairman, I have a couple of resolutions to cover first. The first two resolutions I have are for design services for third-lane construction and also for construction services which would be construction and inspection on the projects that have been let contracts. The first resolution is a Resolution Awarding a Contract for Engineering, Design and Construction Services for Third-Lane Construction for System Design Project 71-97-20. That particular area is from Milepost 155.78 to Milepost 161.75 – right here between Exit 9 and 10 . I'll skip the Whereas paragraphs and go to the Resolved:

“RESOLVED that the Commission hereby selects **Euthenics, Inc.** as most qualified to perform the services required under a portion of the above-mentioned RFP and authorizes and directs the executive director and the general counsel to execute the Engineering Services Agreement, a copy of which is before the Commission, with **Euthenics, Inc.**, all in accordance with the terms and conditions of the Commission's Request for Proposals and its responses thereto.”

Attached to that resolution is the Engineering Services Agreement which is typical is what we have for all our engineering service contracts.

Baker: Have we used Euthenics before?

Plain: Yes, we have on other projects. They have done work for us before and performed satisfactorily.

Baker: This is a revision.

Plain: Yes, this is a revised resolution and should be in everyone's folders.

Baker: Since proposals, we don't have a bid tab like we normally do with contractors – they are proposals for professional services. What other professionals were considered for this job?

Plain: I don't have that off the top of my head, but we try to get at least 3-4 other professionals and do it based on the geographical area across the state where these are. The area around here we try to take them from the Cleveland-and supplement with the Columbus area because they are central to every area. Bob or Dave, do you have those available?

Ransbury: In this case we sent out 16 proposals and they ranked in the top groups and we have had nine total engineering contracts remaining to be done and they were one of those nine because they ranked in the top.

Williams: Madame Chairman, I do understand that, but normally we do get that information listed in the package, don't we?

Plain: That has not been in there, but we can furnish it.

Williams: That has not been included in the past?

Plain: For the construction projects, we have all of the contractors listed on the bid tab. We have not done that for the design of professional service contracts.

That information is available in the Engineering Department if you'd like to see it.

Baker: Well, I agree with Earl. We'd like to have it attached to the resolutions so we know who was competing for the project.

Zomparelli: Madame Chair, Commission Members Baker, Joseph and Williams, if I may speak on it. The engineering bids are bids for professional services. It's a little bit different scenario than with the construction contracts where you have to bid and award to the lowest responsive bidder. On these, the

selection is done first on technical qualifications. I think the law has changed where we cannot select on the basis of price. ODOT has the same restrictions.

Plain: Price is negotiated after the parties have been selected.

Zomparelli: You award first and then the prices are negotiated afterwards. We work with our Chief Engineer, Dave Ransbury, and our consultant, Bobby Everhart, a representative from URS Greiner on the selection of the firms. I believe an effort is made to make sure the firms are qualified #1 and #2 to have some way of awarding contracts to other firms and involve as many engineering firms as possible. At the same time utilize our MBE requirements. It's a little bit different. Sixteen firms responded. Dave, are they the same that responded to the other proposal?

Ransbury: Right.

Zomparelli: So it is done where you review the whole group selected at the time and the engineering projects – the design projects that are available – will be reviewed from that list.

Plain; Not only the technical qualifications but based on past performance – how they performed for us in the past, the history on it. That all goes into the selection process.

Baker: Well proposals are much more subjective than the bid process, and I just think the Commission would like to know who the contenders are.

Plain: Sure.

Zomparelli: I just wanted to point out. There will not be prices next to the name of the contenders. There will just be a list of contenders.

Baker: I understand. But I see we have a price on this resolution.

Zomparelli: Right, that's because they negotiated that price.

Baker: Well, they have not been selected yet until we vote?

Zomparelli: Right, we are recommending it for selection. Just for a point of clarification.

Leever: Is there a motion?

Williams: I move for the adoption of the resolution.

Joseph: Second.

Leever: Now, any questions? Roll, please.

Roll: Mr. Williams-yes, Mr. Joseph-yes, Mrs. Baker-yes; Mrs. Leever-yes.

Plain: The second resolution again is for awarding a contract for Engineering, Design and Construction Services for third-lane construction for System Design Project 71-97-21. This is between Milepost 172.82 to 176.34. That's in the Summit County area. I'll read the Resolved:

“RESOLVED that the Commission hereby selects **The Osborn Engineering Company** as most qualified to perform the services required under a portion of the above-mentioned RFP and authorizes and directs the executive director and the general counsel to execute the Engineering Services Agreement, a copy of which is before the Commission, with **The Osborn Engineering Company** all in accordance with the terms and conditions of the Commission's Request for Proposals and its responses thereto.”

I would ask for a motion and a second.

Baker: Have we used the Osborn Engineering Company before?

Plain: Yes we have.

Baker: The same process applies?

Plain: The same process applies for all these contracts.

Zomparelli: I think as a follow-up to what you asked before, maybe at the next Commission Meeting we can discuss the process – how it goes. We are limited by law of what we can and cannot do in this regard. It is for professional services.

Plain: The information is probably proprietary for the companies and some of the things they do and how they do it and the technical aspects of it.

Baker: But sometimes engineering companies do go through the bid process.

Plain: We cannot go through a bid process.

Zomparelli: We cannot select on the basis of price. There was an RFP; there was a process. There was a Request for Proposals issued. We cannot award to the lowest bidder because prices are not submitted with the proposal. Selection of the firm is done and maybe David can shed more light on it.

Baker: The RFP was for proposals not bids, I understand that. However, I also know that sometimes professional services are bid as opposed to selected on the basis of their proposal. And when you say we can't choose by bidding, I think we could if we sent out an RFP in advance and said we're going to take bids on the design services for this next job. We could that, couldn't we?

Zomparelli: No. – not for engineering contracts.

Plain: Professional engineers cannot be asked for prices on proposals.

Arlow: That's a state law.

Plain: They changed the law. You used to be able to do that.

Baker: When did they change it?

Plain: Quite a while ago. Years ago, you could do it that way. It came from the Professional Engineers Association that lobbied to have it changed so you could not do that.

Baker: My information is dated prior to that. I remember having these discussions probably in 1989-1990 and OK, the law has changed.

Plain: Now you get the price after you make the selection. And if you cannot negotiate the price with that company and they won't come down to what your proposed price is then you can go to the second proposal. We have done that before. We have negotiated the price down and then we sign it. We have a target price and we try to get as close to that and negotiate it down on a number of these.

Baker: Based on the fact that the law has changed, we are doing as well as we can. Thank you for the explanation.

Plain: That's quite all right.

Zomparelli: It doesn't mean we always agree with everything, either.

Plain: We need a motion and a second.

Joseph: I'll move.

Baker: Second.

Roll: Mr, Joseph-yes, Mrs. Baker-yes, Mr. Williams-yes, Mrs. Leever-yes.

Plain: The third resolution I have – I'll go through it and maybe General Counsel may add to this, but it's a resolution appointing Bond Counsel for Advance Refunding of Commission Revenue Bonds issued in 1994 and/or 1996.

I'll read the Resolved:

“RESOLVED, that the Commission hereby retains **Peck, Shaffer & Williams, L.L.P.** to serve as bond counsel for the proposed *advance refunding* transaction(s) of the bonds issued in 1994 and/or 1996; and

FURTHER RESOLVED that the general counsel is hereby authorized and directed to notify **Peck, Shaffer & Williams, L.L.P.** of such appointment and to enter into negotiations and execute an agreement with such firm to serve as bond counsel.”

Zomparelli: Madame Chair, Commission Members, Eric Erickson, The Ohio Company, I think is comfortable with the selection of Peck, Shaffer & Williams, LLP and David Wright, our new CFO has also been working Peck, Shaffer and since this is for the *advance refunding* and depending upon market conditions we would like to be in a position to be able to issue or advance refund the bonds and my recommendation would be to continue to use Peck, Shaffer for the advance refunding portion of the 1994 and/or 1996 bonds – depending on whether there is sufficient savings. They have been very responsive to me and to David Wright and to Craig Rudolphy, our former Comptroller, and we have had no problems working with them. Again, this is a situation for professional services, Mrs. Baker, and my recommendation would be to give us an opportunity to negotiate with them and if we can't arrive at an agreeable value, I don't foresee any problems and we'd like to have the opportunity to continue to retain Peck, Shaffer as our bond counsel with continuity in their knowledge on the past 1994 and

1996 issues are very helpful to me and Mr. Plain. They know our numbers, our statistics. They were involved with the Master Trust Agreement which was supplemented. I don't think Frank Lamb, our trustee, has had any problems working with Peck, Shaffer.

Lamb: It has been a pleasure.

Zomparelli: This would not be for an appointment on the new money. We would need another resolution at that time when the Commission would issue another RFP for bond counsel for new money transactions. We can discuss that later. We can wait for guidance from the Commission as to how they want to approach that. That would be for the advance refunding. It could potentially be for up to two transactions. We can do it this time around for 1994 and if something happens to the market where it drops drastically, maybe we'll have a chance in 1996 bonds.

Plain: Or if it rises, we won't have any chance at all. Just so you know that the market conditions have to be right and we intend to put a little presentation on a little bit later in the meeting with Eric Erickson, Steve Wood, to show what we are talking about and if we can reach target values and things that we would be able to save a considerable amount of money. Again, that is dependent on market conditions and I'll let the experts talk on that later.

Zomparelli: As soon as the Commission approves their appointment and we execute an agreement with Peck, Shaffer, we'll begin working on an Official Statement for the Advance Refunding. That's the next step in the process for us to continue.

Plain: Part of the presentation will also be a schedule with some dates in there and with milestones which we have to reach before we can even get into it and where we are and where we should be – timetable. So I would like a motion and a second.

Williams: Madame Chairman, Commission Members, I move for adoption of the resolution.

Joseph: Second.

Leever: Any further questions at this time?

Roll: Mr. Williams-yes; Mr. Joseph-yes, Mrs. Baker-yes, Mrs. Leever-yes.

Plain: Madame Chairman, that completes our resolutions, but I do have a couple other items I would like to report on. We have been reporting on various meetings and we will continue to report, the status of the S. R. 58 interchange. We have been in contact with Lake Shore Rail Association and the Ohio Rail Development Commission. We have been working closely with them. We've had some discussions on what we have to have. We are close I think to having an agreement. We have some things to work out. I think they are workable. When we get everything in the language acceptable by both sides, we will come back to the Commission and recommend proceeding and going forward with that particular project. We are not at that point right now, but we have had numerous discussions with them. We think that we are getting close and we can satisfy the requirements that the Commission put forth on making us whole on our expenditures and also in trying to cooperate and accommodate the railroad and for the benefit of Lorain County and others. We think that is doable and I am hopeful and positive that we will be able to work these things out prior to the next Commission Meeting.

Leever: I was going to say – how close time-wise.

Plain: I think we are close, but I didn't want to rush something in until we have had a chance to look at it. We'll send you the forms of agreement – the things that we want done. You can review them and then we'll probably want to do a resolution at the next Commission meeting.

Leever: Good. Thank you.

Plain: OK, at this time I'd like to ask Eric Erickson to come up and talk a little about the refunding process with help from Steve Wood of PaineWebber.

{Screen presentation set up. }

Zomparelli: Is there something wrong with the projector?

Wood: This is your projector. We hooked it up our machine to it.

Erickson: We can wait a few minutes – it will be easier to see. OK.

Thank you very much. Members of the Commission, if you recall on several occasions I have come before you and mentioned that possibly in 1998 we could have as many three bond issues. And I had suggested to you that one of those issues with be a new money issue probably late summer or early fall – depending on when your construction fund ran out of money or the third lane and in addition, I suggested, you might have some advance refunding bond issues. What we want to do is talk about (a) what an “advance refunding” bond issue happens to be and (b) what it does for the Commission.

First of all, technically, an advance refunding bond issue is a little different than a refunding on a house mortgage. Only because the proceeds of a new bond issue are deposited to an escrow fund. That escrow fund, in effect, supports to the investment of U. S. government securities the prior bond issue (your old bond issue.) With the effect to the Commission that there is an overall lowering of the debt payments to the Commission and a savings is produced for the Commission. Bottom line is: you are lowering your overall cost of capital to the project.

There are essentially two types of advance refunding: (1) straight, traditional advance refunding; and (2) synthetic fixed-rate refunding. (We are really not going to dwell on the synthetic refunding because the Commission probably will not use that.)

The traditional one is what I just described. A fixed rate bond issue is issued at a lower interest rate than your prior issue, proceeds deposited to an escrow fund. The escrow fund then supports the old bond issue. That

old bond issue effectively goes off your balance sheet; it becomes nothing more than a footnote in your financial statements. What's on your balance sheet is the new bond issue at a lower interest rate. One of the things that I did want to point out is that you will have to have a policy decision in terms of how much savings you want to obtain from an advance refunding. Obviously, the lower the interest rates go, the higher the savings.

The Government Finance Association has a "rule of thumb." They typically use 3% savings. That is a present value savings of 3% of the prior bond issue. And Steve will get into the more detail aspects of the actual numbers, but our recommendation essentially is to the Board - if there is a target savings of 3% you move forward with the refunding. Let me just say, you may not capture all the bonds the first go-around only because rates may not be quite low enough. It is our projection as well as Merrill Lynch and PaineWebber that over the course of the year rates may even tend lower. In which case there would be an opportunity to advance refund another issue and recapture additional savings and bring other bonds into the fold. So in essence, there potentially could be two advance refunding bond issues over the course of 1998.

Wood (Steve, PaineWebber) What I would like to do is review what interest rates have done over the last several years. This is the Bond Buyer Revenue Bond Index. This is generally used as a market index in our industry for bonds for your type. You can see it ranges from anywhere from 8% down towards the 5% area. The 1994 issue was done at that point in time right at the beginning of 1994. We had a little run-up right there that made us unhappy that we missed that really low point at the end of 1993, but it turned out to be a pretty good issuance date for many months afterwards. The 1996 issue was a little different. We caught a downdraft right there in June 1996, but interest rates at that point were pretty stable. You can see that they have begun to trend lower left to

right. Our target is to look for about 5% and we're almost there. It might take a year, a couple of months, or a couple of weeks. We don't have to have it exactly at 5%. We have savings candidates that I'll show you in a minute.

Five percent really has been a historic and interesting environment. It's been probably since the 60's and 70's since we have seen these kinds of rates. What we want to do is lower cost of bonds by refunding. Typically what we look at each agency's bonds is we like to look at each individual installment payment by maturity. So you have installment payments on the left you can see at 2005 your interest rates range between above 5% up to 6% and what those lines represent is those are the interest rates on each of the maturities. The maturities range on the bottom of the chart from 2005 to 2026. This is what you have right now. In today's market, these are the kinds of interest rates we'd be looking at. So you can see they are somewhat lower and they are lower in every case.

As Eric explained, this is not like refunding your mortgage. It's a little different. Here are the installment payments on your debt that are currently outstanding. The blue represents bonds that are callable in 2006 from your 1996 issue. The yellow represents bonds that are callable in 2004 from your 1994 issue. The red bonds are not callable. So there is no way to get refunding savings by looking at the ones labeled in red. The other thing is the bonds are callable at a 102 premium. So when we see interest rates go down, they have to go down enough to overcome that premium plus then save you extra money.

We have done a series of analyses of various market rates. At today's market, we are showing that we have no candidates that save money at the 3% level and although there are some savings, it is not quite at the threshold. If the market would improve 25 base points, again we are

looking at them installment by installment. We have about 60 million that would come into the 3% range. Gross savings on that over the life of those bonds would be 4.5 million – that's about a 4.3% net present value savings. You can see if rates improve 50 basis points, that a lot more of your outstanding debt becomes refundable for savings. \$295 million gross savings would be 23 million on that so that's about a 4.5%. So well in excess of the 3% target. I think that Alan made this point earlier, the final figures will depend on interest rates.

One of the other things we look at in terms of your savings is if you refund today as Eric pointed out, you don't have the ability to refund again under tax law. So what we try to do is try to look ahead and see what if interest rates go down. Certain bonds may have a better potential if rates go down. What we have done is calculated again for all of the bonds, what we call 100% savings potential which is a probability spread sheet that looks at refunding bonds 6 months from now, 12 months from now and 18 months for now. It says OK, there is a high probability we can save X amount of dollars for a certain bond and what we want to do now if we refunded today, how much of that potential would we capture. Now I've got 40% and below marked red. If you are not capturing at least 40% we would not recommend that you refund. Yellow is anywhere between 40 and 60%. Above 60, if you can capture that much of the potential, then that's a good savings candidate. We have calculated that for all your bonds in today's market. You can see that they are all in the red area and this reinforces the 3% test.

Maybe there's one from the 1994 series – on the far right – due in 2024 that might save start to get towards the 50% level. Again, it's not enough. We think you should wait for the rates to go lower. And if they went down 50 basis points, you see that the 1994 series is clearly going to save a lot and a great number of bonds from the 1996 series are going to save.

That's where you got those higher numbers that I showed you in the previous chart.

You can see on the left hand side, there are candidates in the early ranges that are just never going to make it so you probably never need to refund all of your bonds. With that, that's what we are going to do in the next couple of weeks making sure we understand which bonds are the best ones to refund.

Erickson: One of the things that we pointed out is the fact that you are really not issuing these bonds to sign a contract. So there is no date certain at which you have to issue the bonds. What really drives it is the market and the market may be here for 6 months, a year or maybe two weeks. The idea is to prepare the documentation and get the bond issue ready to move in the market. So what we developed are really some target dates/milestones to do that. Obviously, we are going to be reviewing some alternatives and really set the refunding targets – at least 3% perhaps higher. Again that's kind a policy issue for you folks.

The week of April 20 we are going to choosing a structure and really refining it. I pointed out earlier that we have two potential structures – the traditional and synthetic structure. That's what we'll be doing the week of April 20 and really defining which specific one we will be using. Then that last week of the month, we'll draft the Official Statement which generally takes about 30 days to put together.

The week of May 4 and May 11 (the second week) we've got two of the three rating agencies coming in. Fitch and Moody's coming in the second week of May and then the fourth week of May we'll actually go to New York and visit Standard & Poor's. We'll make a formal presentation. I have recommended to the Commission that really all that is necessary this

year for the three issues is one rating presentation. We don't necessarily have to do three presentations for each issue. One should accomplish everything.

Zomparelli: That's up to them, though.

Erickson: True. The week of May 11, we will send information to the bond insurers and also have for you a supplemental bond resolution for you to adopt. This is presumably the next meeting. The week of May 18, we'll monitor the market, see where we are and see if it makes sense to move forward with at least a portion of the bonds. The last week of the month (May 25) we'd have a bond sale and probably close sometime in the middle of June – approximately two weeks after the bond sale. Again, that is only contingent upon where the rates are. I guess one of the important points I would like to make (Steve and I both want to emphasize) the fact that this is obviously contingent upon market conditions. Sometimes it happens fast and sometimes it takes a while. Patience is important. Steve's firm and our firm both agree that sometime over the course of the year long-term treasuries are going to get to around 5%. They are approximately 5.80 today or 5.85. That's a big drop. I think it's important that we have patience and don't rush into it. It doesn't cost the Commission really anything until actually an issue is done. It does make sense to proceed and have some patience. Any questions for Steve and myself?

Leever: At the time of your meeting in New York, with Standard & Poor, Mrs. Baker, if it is at all possible, would you be willing to represent our Commission and go with our representatives? That would be very nice and we would appreciate it.

Baker: Yes.

Erickson: I always encourage that.

Baker: What would you recommend for our target?

Erickson: Savings? The traditional target is 3%. There are some state agencies which use a little higher target. 3% is a fair amount of money if you want to flip back to that one slide, let's talk about that.

I think that had 4% - the total dollars that you would save at 4% is approximately 4-1./2 million dollars. At 4.5% you can see approximately \$23 million. So you save a substantial amount of money even at 3%.

Wood: Essentially what you see there, those numbers assume that the worst candidate we choose saves at least 3%. There are some that are saving 6 or 7%. So we reach down and if it saves 3, we include it and bundled together they end up saving over 4 and that's actually I'd say pretty typical. You'd have to draw the line at 3 but you would have a higher target for the aggregate.

Erickson: That's after all the costs and everything.

Plain: But if you got a 2.95 or something like that, I'm sure you might want to recommend that we go ahead – particularly if things start climbing again.

Wood: Just doing the pricing, at some point, you have to lock in on rates and rates can move that day when you

Plain: But that's a target value – the 3%. I want to make sure they understand that.

Wood: Yes.

Erickson: The 3% I think would be the lowest you would go, I'd recommend and also you have to consider the nominal dollars you save as well. In that case about \$4 million.

Baker: There's a vast difference.

Erickson: Yes, absolutely. That's why I suggest there may be two advance refundings.

Wood: I think by having a pretty high threshold, the fact that you don't refund at one moment doesn't mean you have lost. You'll still have the chance as rates go down in the future. So most agencies over the past several years have taken a few and refunded it and as the rates came down taken a few more and refunded those. That's served them very well.

Erickson: And the point is, we'll be ready to do it and so you move quickly at that point. So you are wise in doing that - anything else?

Leever: Thank you very much.

Baker: That was a very helpful presentation. I found it very interesting.

Leever: We'll continue, Mr. Arlow.

Arlow: Thank you, Madame Chairman, members. We have 17 construction projects for this year. 14 are already underway; 3 will start April 14 (two resurfacing projects in Williams County and Fulton County a total of about 18 miles of resurfacing and one bridge project will get underway tomorrow. The rest of the 14 projects have been underway since last fall and are progressing very nicely. We have two interchange projects – 2A (Fulton County) and C. R. 18 (Mahoning County). We have one toll plaza renovation at Exit 4. We have 7 bridge projects (mainline and overhead) and five third-lane projects of about 19 miles that will be completed this year.

Leever: We are doing very well, aren't we?

Arlow: Yes we are.

Leever: If we don't pat ourselves on the back, no one else will, right?

Arlow: Again, I want to reiterate Madame Chairman that at the end of this year we will have 50% of our third-lane projects completed and I think that's a marked accomplishment in this short of time.

Leever: People from Defiance, Ohio even have mentioned to me how marvelous that third-lane is and they weren't even aware of it – even with all the newspaper articles. They didn't know about it until they got on and they used it and they loved it. I think everyone should be proud.

Plain: We've had a good response from the public on that.

Leever: It will be nice when it's totally completed. Do we have any report from Frank Lamb?

Lamb: No report, Madame Chairman.

Leever: Now we have two gentlemen in uniform – Lieutenant Kreuter and Lieutenant Colonel Morckel.

Morckel: Thank you, Madame Chairman. Might I approach the front of the table, I'd like to make a presentation?

Plain: Certainly, come on up.

Morckel: I don't know how many in the room know about the culture of the OSHP, but one thing I'll tell you, we don't give out many awards. We are not a "warm and fuzzy" bunch.

We are here on a very special circumstance, Lt. Kreuter and myself on behalf of the Division. I'm just going to read this plaque that we're going present to the entire Commission. This is presented to the Ohio Turnpike Commission in appreciation of your dedication and commitment to highway safety on the Ohio Turnpike through the implementation of various programs and projects in 1997, you have helped bring about the lowest single year total fatal crashes in the 42-year history of the Ohio Turnpike.

This is since 1955. In 1997, there were five fatal crashes on the Ohio Turnpike and 1955, when it first opened, there were six. So it took us 42 years to beat that record of six fatal crashes.

Plain: A lot more traffic, too.

Morckel: We have heard commentary around the room about more traffic, construction going on – bridges, third-lane through Mr. Arlow's efforts, I know Mr. Plain's efforts, certainly Madame Chairman – yours and the entire Commission. We certainly appreciate the spirit of cooperation. I have talked to Lieutenant obviously whenever our troopers have considerations of the engineering problems on the road, there is immediate and absolute wonderful cooperation to get out there and get things done. We have worked together well. For those of you in the room, that always don't know that enforcement and running the Turnpike are not always congruent with each other. We have issues that may not fit the Commission's agenda – certainly vice-versa, but we work together when it comes to safety. I'll tell you a road carrying this much traffic that had five fatal crashes – we're after 0 obviously – but to have only five fatal crashes carrying this much traffic absolutely wonderful job and we thank you for your cooperation.

Plain: Thank you, sir. I guess you're going to take a picture – let's do it this way, Bob.

Madame Chairman, I'd like to say on behalf of the entire Commission and staff that have worked with the OSHP and their efforts, we appreciate the cooperation that we have received from them – the various programs that we have jointly sponsored to warn the sleepy the drivers, people following too close which tend to cause more accidents than some of the other things and they have really done an outstanding job, I think of policing and patrolling the Ohio Turnpike. The new construction we covered this in some of the other meetings – where we put on the snap alerts along side both edges of pavement. I think it has had a dramatic affect on the entire process. The diligence that we pay to our construction zones and carry through that with the meetings with the contractors and enforcement and having personnel available 24 hours a day to pick up barrels or anything

that gets out of place. We mark our barrels. We have perfectly straight lines out there. They are not haphazardly put up. We have clear zones. We have a lot of reflection in our zones and reflectors on the concrete barriers – the high barriers that we instituted with the third-lane construction will also prevent vehicles from crossing the median. So the combination of both agencies working very very hard and insisting that the contractors work out there in a safe manner, and believe me, we come down very, very hard when they get out of line. I think it's a credit to both organizations for our safety record, and we thank you for your help also.

Leever: I would like to thank you for your annual report that the Commission members received this month. I think it behooves us to read it and it's well worth reading and we should be very proud of it and thank you. Bobby Everhart?

Everhart: No report, Madame Chairman.

Leever: I'm not certain if it's a good sign or a bad sign that we leave General Counsel for last.

Zomparelli: It's a good sign, I have no report, Madame Chairman.

Leever: In that case there being no further business, I would like a motion to adjourn this meeting until May 11th.

Williams: So mover.

Joseph: Second.

Roll: Mr. Williams-yes, Mr. Joseph-yes; Mrs. Baker-yes; Mrs. Leever-yes.

Leever: Thank you all for coming, have a safe trip home. (Meeting adjourned at 11:07 a.m.)

/dsp