

**MINUTES OF THE 444<sup>th</sup> "SPECIAL" MEETING OF  
THE OHIO TURNPIKE COMMISSION**

**September 18, 1998**

Pursuant to the bylaws, the Ohio Turnpike Commission met for a Special Meeting in the Administration Building at 682 Prospect Street, Berea, Ohio at 10:07 a.m. on September 18, 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, Pat Patton, Government Liaison Officer, Thomas Amato, Assistant General Counsel, John Peca, Special Counsel, Bob Barnett, Heidi Jedel, Barbara Lesko and Diane Pring.

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

Ayes: : Ruth Ann Leever, Gary Joseph, Earl W. Williams and Dr. Ferris Anthony

Nays : None.

The Chairman said the September 18, 1998, Special Meeting was the 444<sup>th</sup> meeting of the Commission and will consist of reports from staff members in connection with the Commission's proposed "*new money*" bond issue and the proposed Supplemental Trust Agreement, adopt supplemental authorizing resolutions which will provide, among other things,

that the Maximum Annual Debt Service Requirement on the Bonds then outstanding and the Bonds then proposed to be issued will be at least **One Hundred Fifty (150%) percent**. She said it was being held at the Commission's Administration Building as provided for in the Commission's Code of Bylaws. She said Executive Director, G. Alan Plain, Commission Member Marilyn R. Baker, ODOT Director Jerry Wary, Senator M. Ben Gaeth and Representative Sally Perz were unable to attend today's meeting. She said Mr. Joseph was authorized to represent Mr. Wray and vote for him.

The Chairman welcomed Dr. Ferris A. Anthony as our "newest" Commission Member. Dr. Anthony said he was delighted and honored to be here and was looking forward to working with the Commission and its staff. He said the Commission has done an excellent job as he travels the Turnpike often and is pleased with what is going on. He said the Commission and its staff should be proud of what is happening. He concluded by saying he was happy to be here and looking forward to working with everyone very much.

The Chairman asked Dr. Anthony to tell those present about his background. Dr. Anthony responded by saying he is a native Clevelander, lived on the "south" side and has had an affinity for highways since I-71 went through his house. He said he grew up in the Tremont area and attended grade school and high school in Lakewood. He mentioned his parents moved to Brooklyn about the time when I-480 came through. He graduated from Kent State, did his under-grad work and received his Masters from Boston University, obtained his PhD from Michigan State University.

Dr. Anthony said he taught English and accepted a position at Cleveland State when it was brand new – only one year old. He joined the faculty as Assistant Dean in the College of Education for several years and moved on to become Director of Media Services for the University. He is currently serving his 23<sup>rd</sup> year as Dean of Continuing Education and is enjoying his 32<sup>nd</sup> year at CSU.

Dr. Anthony said he is married and has four children (3 boys and a girl.) His oldest son, Tom, works in Cleveland as an accountant, his daughter, Mary recently graduated from medical school, his son, David attends John Carroll and his remaining son, Bob, is studying engineering at Miami University.

Dr. Anthony mentioned as a boy his dream was to become a Greyhound bus driver so he has been involved in the “transportation” field for a long time. He mentioned that he was invited to meet its President, attended Greyhound School and was presented with a Greyhound bus driver uniform Greyhound at the age of 11. He concluded by saying he has finally made it and has fulfilled his dream of working in transportation.

The Chairman advised that the draft minutes of the last Commission meeting of September 14, 1998 have not been completed as yet, but the draft minutes from September 14 and today’s meeting will be distributed for review and the minutes from both meetings will be officially adopted at the October 5 meeting.

The Chairman said that special reports from staff members in connection with the proposed "new money" bond issue and presentation of the proposed Seventh Supplemental Trust Agreement will be accomplished at today's meeting. She asked Mr. Zomparelli for his report.

Mr. Zomparelli stated that G. Alan Plain could not be here for today's meeting and he was filling-in. The purpose of today's Special Meeting was to consider the adoption of a resolution authorizing the adoption of a Seventh Supplement to the Commission's Master Trust Agreement. He distributed a three-page handout which included charts of information relative to the three rating agencies' Rating Categories to the Members for their review. He said he hoped it would assist them and be illustrative of the items to be discussed at the meeting today.

Mr. Zomparelli advised the Commission Members that Mr. Plain, Mr. Wright, Eric Erickson, the Commission's financial advisor, and himself had met with their representatives on September 9. The purpose of the September 9<sup>th</sup> meeting was to bring Standard & Poor's up to date on the Commission's operations in connection with their credit rating for the "new money" bond issue. Mr. Zomparelli also advised he had a telephone conference with Standard & Poor's on Wednesday, September 16, 1998 to discuss the Commission's current rating. Standard & Poor's stated it was in a position to re-affirm the Commission's current "AA-" rating.

During the September 16, 1998, telephone conversation, the Commission's debt service requirements was discussed. Mr. Zomparelli reminded the Commission that in 1994 the Commission adopted a 150% debt coverage policy. Although the Commission's resolution was significant, the Master Trust Agreement covenants provide for 120% policy.

Because the Trust Agreement is the controlling document, the rating agency stated that it could only rely on it instead of the 1994 resolution adopted by the Commission. Mr. Zomparelli inquired if the Commission called a meeting and changed the debt service requirement in its Trust Agreement, would Standard & Poor's upgrade our bond rating. Standard & Poor's indicated that it would be very likely to obtain an upgrade to "AA." Obtaining the "AA" rating would make the Commission truly the #1 rated toll road in the country since it would be the only toll road to receive the "AA" rating.

Mr. Zomparelli asked if Mr. Wright would explain about the debt service requirement and what the debt ratio means. Mr. Wright stated that it is financial calculation rating agencies and people utilize to identify an entity's financial strength – the higher the number the stronger you are. Basically the formula is annual pledged revenues of the system minus operating expenses divided by annual debt payments to bondholders. For example: if \$1200 equals revenue minus expenses and \$1,000 equals the debt service requirement, then debt service requirement equals 120 or 1.2. The higher the number the stronger you are financially.

Mr. Wright explained further that at the end of 1997 the Commission coverage was at 2.83 and at the end of this year it should be at 2.8. We are forecasting in our Official Statement after 2002 we will be above 2.0. In essence, 1.5 is a very safe number.

Mrs. Leever asked if new calculations take into consider possible recession or downturn of the economy. Mr. Wright responded that our revenues are projected by URS Greiner and consideration is given for such factors as growth and future debt.

Mr. Joseph inquired what is the Commission's current coverage. Mr. Wright replied 2.83 at the end of 1997 and 2.8 at the end of this year. Mr. Joseph also asked when the bonds max out, what will it drop to? Mr. Wright stated at 2.05 we are still pretty safe. Mr. Joseph asked if it was with projecting flat toll revenues. Mr. Wright said URS Greiner factored about 2% per year in traffic growth, the Commission's final toll increase of 10% scheduled for January 1, 1999 and operating expense growth of 3%.

Mr. Williams inquired what would be the next step if the Commission adopted the proposed supplement to the Master Trust Agreement. Mr. Zomparelli replied he would immediately contact Standard & Poor's. He also stated that he reviewed the proposed change to the debt service coverage requirements with bond counsel, Peck, Shaffer & Williams. Bond counsel concurred with the changes under legal considerations.

Mrs. Leever asked if it would happen today. Mr. Zomparelli responded if S & P can print its press release today, then the Commission will announce it today.

Gary Joseph inquired what the rating is going to be since we get a different rating from other rating agencies. Mr. Zomparelli said that was a very good question. He referred to the third page of the summary chart and referred to the Commission's ratings as follows: S & P currently at AA- ; Moody's A1 and Fitch IBCA AA-.

Mr. Zomparelli also said that this is the second upgrade the Commission would have received this year. He had contacted Adam Whiteman at Moody's. Gary Joseph replied that Moody's is stingy with their ratings. Mr. Zomparelli said we are not letting up, and he will ask for an upgrade. Mr. Zomparelli stated that the A1 rating from Moody's is regarded as a strong rating for the revenue bond category. This rating is described in the handout as strong, but somewhat vulnerable. It is a rating of which the Commission should be proud.

The Chairman inquired why Florida was not rated by S & P. Mr. Zomparelli said they are not required to go to all three rating agencies. Mrs. Leever also asked if the Commission needed to go to Moody's. Mr. Zomparelli responded that Moody's originally rated our bonds so they will continue to do so even if we don't ask them to.

Mr. Williams inquired if Moody's will look at what we have done today and give consideration to a possible upgrade. Mr. Zomparelli replied that they visited the Commission's facilities earlier this year and met in this very room. Mr. Zomparelli said Moody's biggest factor of concern was they felt the Turnpike is too dependent upon commercial traffic. We find it hard to understand their reasoning. They think the Commission's percentage of commercial traffic would impact the Capital Improvement Program. Toll revenues could fall. We think a toll road should strive to optimize commercial traffic. We are unique. The Commission receives 60% of its revenue from commercial traffic. You cannot look at one side without the other. The economic factors that affect commercial traffic affects passenger traffic.

Mr. Joseph stated in comparison, ODOT's bond rating is based on federal money (\$20-M of debt service on federal bonds.) They received a "AA-" from Moody's on \$600-M in revenue. ODOT has 20 times coverage, and they struggled for an upgrade. It is very difficult.

Mr. Zomparelli said financial people recognize it is hard to get a high rating. The Commission has worked hard to position itself for an upgrade rating from S & P. He stated that he and the Executive Director are very pleased with the prospect of the upgrade from S & P and previous upgrade received from Fitch IBCA. Mr. Joseph said you should be happy about it. All Commission employees, the Commission Members and the State of Ohio should be proud to have an entity rated so high. The Commission provides a superior product and service.

Mr. Zomparelli advised the Commission Members that Dr. Ferris Anthony resigned from the Commission's Advisory Group. He has been an advisor to the Commission and is very familiar with the Turnpike operations and does not come to this new appointment blindly.

Dr. Anthony said he is very proud of this rating and he concurs with Mr. Williams' comment that perhaps it will make Moody's take a second look.

Chairman Leever asked Bob Barnett to advise all the employees of this good news by publishing an article in our Newsletter. She wants to share this terrific news with all our employees. She stated that put plainly, "We are #1."



Mr. Zomparelli advised the Commission Members that Frank Lamb from Huntington National Bank, our trustee, has reviewed today's proposed draft resolution and faxed a letter this morning that he does not object to the resolution or the change in debt service. He said that 1.5 coverage increases the bondholders' protection. Mr. Zomparelli also referred to Mr. Eric Erickson's letter dated September 17, 1998, in which he recommends increasing the debt service coverage requirement from 1.2 to 1.5.

Mr. Zomparelli also stated that this change deals with an historical test. A historical review will be conducted by Standard & Poor's of the Commission's debt service requirement. The time frame is based on a 15 month period and the rating agency can review any 12-month period during that time frame. Standard & Poor's did that and they found no difficulty. We would be eligible for the AA rating. He further stated that the Commission will have to continue to meet the historical test. If the historical test is not met, the Commission would have to raise tolls or reduce expenses. Chairperson Leever stated the latter should be pursued.

Mr. Zomparelli also advised the Members that our Master Trust Agreement allows the Commission to adopt supplements from time to time. He advised that the CFO, Executive Director and General Counsel concur in increasing the debt service requirement from 1.2 to 1.5. Mr. Zomparelli then referred to the draft resolution and read the following:

**“NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE OHIO TURNPIKE COMMISSION:**

**Section 2. Seventh Supplemental Trust Agreement. The Chairman, Vice Chairman, Secretary-Treasurer and Executive Director are each alone, or in any combination, hereby authorized, empowered and directed to execute,**

acknowledge and deliver on behalf of the Commission, the Seventh Supplemental Trust Agreement, the form of which has been presented at this meeting, which form is hereby approved, with such changes or revisions therein not inconsistent with the Act and now substantially adverse to the Commission as may be permitted by the Act and approved, upon advice of counsel to the Commission and Bond Counsel, by the Executive Director and the officers executing same. The approval of such changes and insertions by such officers, and that such changes are not substantially adverse to the Commission, shall be conclusively evidenced by the execution of the Seventh Supplemental Trust Agreement by such persons.

Section 3. Repeal of Conflicting Resolutions. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 4. Compliance with Sunshine Law. It is hereby determined that all formal actions of the Commission relating to the adoption of this Resolution were taken in an open meeting, and that all deliberations of the Commission and of its committees, if any, which resulted in formal action were in meetings open to the public, in full compliance with Section 121.22 of the Ohio Revised Code.”

Mr. Zomparelli also advised the Commission Members that Mr. John Peca, the Commission’s Special Counsel is in attendance today. He has reviewed the draft resolution and he concurs. Merrill Lynch and our underwriting team has been made aware of the resolution and also recommend adoption.

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

Ayes: Dr. Anthony-yes, Mr. Williams-yes; Mr. Joseph-yes and Mrs. Leever-yes.

Nays: None

The resolution was adopted.

Chairman Leever said it was such a wonderful meeting for Dr. Anthony to attend as his first. Dr. Anthony inquired if they all go this well.

Mr. Zomparelli advised the Commission members that the Commission representatives will be going to New York City as next week is the target week for our "new money" bond issuance. If market conditions are favorable, we will price our new bonds on Tuesday, September 22 or Wednesday, September 23, if necessary.

Chairman Leever asked for a motion to adjourn until October 5, 1998.

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; Mr. Joseph-yes; Dr. Anthony-yes and Mrs. Leever-yes.

Nays: None.

The meeting adjourned at 10:37 a.m.

/dsp