

MINUTES OF THE 519th MEETING OF THE OHIO TURNPIKE COMMISSION
December 19, 2005

Pursuant to the bylaws, the Ohio Turnpike Commission met for a regular meeting at the Commission's Administration Building at 10:02 a.m. on December 19, 2005, with members of the staff: Jerry Pursley, Deputy Executive Director; Dan Castrigano, Chief Engineer; Noelle Tsevdos, General Counsel; Kathleen Weiss, Director of Contracts Administration; Robin Carlin, Director of Human Resources; James T. Steiner, CFO/Comptroller; W. R. Fleischman, Assistant Chief Engineer; Tim Ujvari, Maintenance Engineer; Dave Miller, Director of Audit & Internal Controls; Lauren Dehrmann, Manager, Public Affairs and Diane Pring.

Chairman Balog said before we start the meeting, we'll just take a moment to take a group photo. Thank you. The Chairman then asked the Assistant Secretary-Treasurer to call the roll.

Present: Mr. Balog, Mr. Regula, Mr. Dixon; Mr. Kidston and Deputy Director Mo Darwish; Representative Buehrer and Senator Armbruster

Absent: None.

Chairman Balog said Gordon Proctor was unable to attend today's meeting, however, Deputy Director Mo Darwish is here and is authorized to vote in his place. The Chairman called the meeting to order and said welcome.

The Chairman said we have a number of guests here today, so I'd like everyone to introduce themselves as we customarily do: Bobby Everhart, Mike Burgess, URS, Eric Erickson, Fifth Third Bank; Tony Yacobucci, Katie Ott, HNTB; Mike Swan, Dick Corporation; Frank Lamb, Huntington National Bank; Staff Lt. Monte Morgan, OSHP; Glenn Stevens, Glenn Stevens, Inc.; Matt Stuczynski, Nat City Investments; Mark Fisher, A. G. Edwards; Bob Hagstron, AVI Food Systems; Steve DeLong, Floyd Jeffries, Operating Engineers and John Lee, J. P. Morgan.

The Chairman said this is the 519th meeting of the Ohio Turnpike Commission, and we are meeting here in the Commission's headquarters as provided for in the Commission's Code of Bylaws for a regularly scheduled meeting. Various reports will be received, and we will act on several resolutions, draft copies of which have been previously sent to Members and updated drafts are also in the Members' folders. The resolutions will be explained during the appropriate reports.

The Chairman said could I have a motion to adopt the minutes of the November 14, 2005 Commission Meeting?

Commissioner Dixon moved and Commissioner Kidston seconded. All other Members voted in the affirmative, and the minutes were adopted.

The Chairman said we'll proceed with the report of the Secretary-Treasurer Commissioner Dixon said, the following items have been sent to the Members since the last regularly scheduled meeting of the Commission on November 14, 2005:

Minutes of the November 14, 2005 Commission Meeting
Traffic & Revenue Report, November, 2005
Total Revenue by Month and Year, November, 2005
Investment Report, November, 2005
Financial Statements, November 30, 2005*
Various News Releases

** in Member's folders*

The Chairman asked Mr. Suhadolnik, Executive Director, for his report.

Mr. Suhadolnik said, I have one item to report. On **January 10, 2006 at 10:00 a.m.** we will hold a public hearing in this Commission Room of the Administration Building to consider extending the temporary toll reduction for an additional six (6) months (*until December 31, 2006.*) After that meeting, I will report back to the Commission at the next meeting, and you can decide what course of action we will take.

The Chairman said if there are no questions or comments, let's proceed with the report from our Chief Engineer, Dan Castrigano.

Mr. Castrigano said I have two resolutions for your consideration this morning. The first draft resolution pertains to **Contract No. 43-05-03, Part A and B.** Part A of this contract pertains to the replacement of the bridge decks carrying the Turnpike over the Meander Reservoir in Mahoning County and also bridge rehabilitation and expansion joint replacement on two other bridges in Portage County.

On November 29, 2005, we received three (3) bids in response to the subject contract. The apparent low bid was submitted by The A. P. O'Horo Company of Youngstown, Ohio in the total amount of \$3,098,000.00. Although the total amount bid was below the engineer's estimate for this project, shortly after the bid opening, the bidder contacted the Commission and advised that it wished to withdraw its bid due to substantial arithmetic and computational errors in the preparation of this bid. The Director of Contracts Administration has advised that A. P. O'Horo has met the statutory requirements for bid withdrawal and further advises that the Commission may lawfully accept the request by A. P. O'Horo to withdraw its bid. The other two remaining bids in response to this subject contract were in excess of 10% above the engineer's estimate and cannot be considered for award.

Would General Counsel please read the Resolved?

General Counsel read the Resolved as follows:

"RESOLVED that the request by the A. P. O'Horo Company to withdraw its bid in the amount of \$3,098,000.00, which bid was received pursuant to the advertisement for bids upon

the above-mentioned bridge renovation Contract, herein designated as Contract No. 43-05-03 (Part A and Part B) is hereby granted, and the executive director is authorized to notify the bidder in writing of said action, and to return to the bidder its bid security; and

“FURTHER RESOLVED that the bids submitted by J. D. Williamson Construction Co., Inc. in the amount of \$4,083,479.91, and The Great Lakes Construction Company in the amount of \$4,477,951.08, heretofore received pursuant to the advertisement for bids for the above-mentioned contract, are hereby rejected, and the executive director is authorized to notify these bidders in writing of said action, and to return to the bidders their bid security; and

“FURTHER RESOLVED that the executive director and director of contracts administration hereby are authorized to take any and all action necessary to re-advertise for bids for **Contract No. 43-05-03, Part A and Part B** for bridge reconstruction and bridge parapet rehabilitation and expansion joint replacement of the above-mentioned bridges over the Ohio Turnpike, following review and possible modifications to the specifications.”

The Chairman said, is there a motion?

Deputy Director Darwish moved and Commissioner Regula seconded.

The “Resolution Accepting Request to Withdraw Bid and Rejecting Bids Received for Contract No. 43-05-03, Part A and B” was moved for adoption.

RESOLUTION NO. 52-2005

WHEREAS, the Commission has duly advertised according to law for bids upon a contract for bridge reconstruction (*Contract No. 43-05-03, Part A*) and bridge parapet rehabilitation and expansion joint replacement (*Contract No. 43-05-03, Part B*) of the following bridges:

<u>Bridge</u>	<u>Milepost</u>	<u>County</u>	<u>Contract</u>
Meander Reservoir	221.3	Mahoning	43-05-03, Part A
Diagonal Road (CR 155)	191.2	Portage	43-05-03, Part B
Coit Road (TWP RD. 210)	192.4	Portage	43-05-03, Part B

WHEREAS, on November 29, 2005, the Commission received three (3) bids for the performance of said Contract; and

WHEREAS, 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 director of contracts administration advises that the low bidder, A. P. O'Horo Company, submitted a bid in the amount of \$3,098,000.00, and on December 1, 2005, advised the Commission that an error was made in its bid and requested to withdraw its bid; and

WHEREAS, the Commission has been advised by its director of contracts administration that A. P. O'Horo Company has met the statutory requirements for bid withdrawal, and

therefore, the Commission may lawfully accept the request by A. P. O'Horo to withdraw its bid for the aforesaid Contract; and

WHEREAS, the chief engineer and director of contracts administration have advised that it is in the best interest of the Commission to approve A. P. O'Horo's request to withdraw its bid; and

WHEREAS, the chief engineer further advises that the bids submitted by the J. D. Williamson Construction Co., Inc. in the amount of \$4,083,479.91 and The Great Lakes Construction Company in the amount of \$4,477,951.08 are in excess of 10% above the consulting engineer's estimate and cannot be considered for award; and

WHEREAS, the Commission's director of contracts administration concurs with the chief engineer's recommendations and has submitted a report advising the Commission that, pursuant to the bidding documents for Contract No. 43-05-03 (Part A and B) and Ohio Revised Code Section 5537.07(A), the Commission has expressly reserved the right to reject any and all bids, and that pursuant to Ohio Revised Code Section 153.12, the Commission legally must reject all bids if they are greater than ten percent above the engineer's estimate; and

WHEREAS, the chief engineer and the director of contracts administration, therefore, recommend that all bids be rejected and that this contract be re-advertised following review and possible modifications to the specifications; and

WHEREAS, the Commission's executive director has reviewed the aforesaid recommendations of the chief engineer and director of contracts administration and has predicated his recommendations to the Commission based upon their analysis.

NOW, THEREFORE, BE IT

RESOLVED that the request by the A. P. O'Horo Company to withdraw its bid in the amount of \$3,098,000.00, which bid was received pursuant to the advertisement for bids upon the above-mentioned bridge renovation Contract, herein designated as Contract No. 43-05-03 (Part A and Part B) is hereby granted, and the executive director is authorized to notify the bidder in writing of said action, and to return to the bidder its bid security; and

FURTHER RESOLVED that the bids submitted by J. D. Williamson Construction Co., Inc. in the amount of \$4,083,479.91, and The Great Lakes Construction Company in the amount of \$4,477,951.08, heretofore received pursuant to the advertisement for bids for the above-mentioned contract, are hereby rejected, and the executive director is authorized to notify these bidders in writing of said action, and to return to the bidders their bid security; and

FURTHER RESOLVED that the executive director and director of contracts administration hereby are authorized to take any and all action necessary to re-advertise for bids for **Contract No. 43-05-03, Part A and Part B** for bridge reconstruction and bridge parapet rehabilitation and expansion joint replacement of the above-mentioned bridges over the Ohio Turnpike, following review and possible modifications to the specifications.

The Resolution was adopted with all Members voting in the affirmative.

(Resolution No. 52-2005 adopted December 19, 2005)

The Chairman said, are there any questions?

Commissioner Dixon said, what was their error?

Mr. Castrigano said, the bidder advised that the errors were made in two major items of work: maintenance of traffic and also embankment. We reviewed the bid tabs, and it indicates that they could have made errors in those areas on their bid.

Commissioner Kidston asked, do you plan to modify the scope of the engineer's estimate?

Mr. Castrigano said, we are going to look at the specifications to see if it makes more sense to possibly split this contract back up making the bridges and parapets separate again. We will also take a look at the engineer's estimate, too.

Chairman Balog asked, Dan, do you have any idea how much their bid would have been impacted if they were correct? I couldn't follow the information the Bidder supplied to us on this project.

Mr. Castrigano said it's hard to tell what A. P. O'Horo's bid would have been. The engineer's estimate on this project was about \$3.3 million, and their bid was slightly below the estimate. The other bids were just over \$4 million, so it could have been somewhere in the area of the difference between those numbers.

The Chairman said, if there are no further questions, please call the roll.

The resolution was adopted with all Members voting in the affirmative. The resolution was identified as No. 52-2005.

Mr. Castrigano said the second resolution to present this morning is entitled, "Resolution Adopting Proposed Capital Budget for the Year 2006." At the conclusion of my presentation, I'll be requesting that the Commission adopt a resolution approving our Capital Budget. The resolution also refers to a "preliminary" list of projects which may be subject to change. A detailed capital budget is found in your folder listing all the projects. Also, although we will be adopting a resolution this morning, each individual contract contained in the budget in excess of \$150,000.00 will be awarded by the Commission by individual resolutions. As I go through the slide presentations, feel free to stop me at any time with questions.

The Capital Budget is composed of four (4) funds. The first fund we'll review is the **System Projects Fund**. System Projects are the major construction projects that are part of our Capital Improvement Program. We'll begin the year 2006 with a balance of approximately \$12.4 million in the System Fund. Mr. Steiner will report in his Operating presentation that during the year 2006, approximately \$36.9 million will be transferred into this fund resulting in approximately \$49.3 million available for 2006.

Of this, approximately \$12.6 million is committed for ongoing projects. These projects, which are currently under construction and were funded in 2005, are in the process of design and/or advertisement. Some of the major projects in this "committed funds" category include reconstruction of the Norfolk & Southern RR Bridge in Summit County, which is scheduled for completion in fall of 2006; reconstruction of Toll Plazas 142 and 151, located in Lorain County, also scheduled for completion in fall of 2006; and reconstruction and expansion of Toll Plaza 71. The work is essentially complete on the TP-71 project. With the completion of these three (3) toll plaza projects, rehabilitation of the Turnpike's twenty (20) original toll plazas is now finished.

Mr. Castrigano said, this slide summarizes approximately \$31.8 million to be funded in the System Fund in 2006. As I stated earlier, individual projects are identified in your folders and I'll review the major expenditures.

Mr. Castrigano said, \$3.3 million has been allocated for bridge deck replacements and major rehab in 2006. A major expenditure is replacement of bridge decks of the Turnpike over the Meander Reservoir in Mahoning County. This is the project that we just rejected. This project will be re-advertised hopefully in the near future. Note that \$1 million of this project will actually be expended in 2007 and, therefore, is shown as a credit.

He said \$10 million has been allocated for service plaza site development either in the western part of the State or Mahoning County. Although this slide indicates that \$3.5 million will be deferred to 2007, due to the fact that we are having problems locating a new facility, it is expected that the entire \$10 million will be deferred to 2007. Also, note that \$500,000 has been allocated to demolition of the **Indian Meadow and Tiffin River Service Plazas (Milepost 20) in Williams County, which are scheduled to be closed the second week in January, 2006.**

He continued and said two mainline resurfacing projects will be funded by the System Projects Budget in 2006 - an 18.5 mile section of the eastbound roadway in Portage County and a short one-half mile section in Erie County.

After two years of no third-lane construction, we are proceeding with construction of 6.9 miles of third-lane in Wood County. This will extend the third lane from Toll Plaza 71 at Interstate 280 to Toll Plaza 64 at Interstate 75. A Level of Service Analysis indicates this section of roadway is currently at Level of Service-E during heavy traffic conditions. You can see by the diagram that, right now, the third lane is constructed to Toll Plaza 71 at Interstate 280. The program calls for completion out to Toll Plaza 59 in the future. This section will cover the section between Toll Plaza 64 and Toll Plaza 71. It is interesting to note that this is a heavily truck-traveled section with 38% trucks on this section as opposed to 20-30% as an average for the entire road. This will be a two-year project. You can see that \$20 million of the estimated \$35 million cost is deferred to 2007.

Again, total expenditures in 2006 for the new projects will be just under \$32 million. In summarizing the System Projects Fund, the \$12.6 million in continuing expenditures and \$31.8 million of the proposed expenditures total approximately \$44.4 million leaving a balance of approximately \$4.9 million from the System Projects Fund.

Mr. Castrigano said, the second component is titled the **Renewal and Replacement Fund**. Typical projects funded from this account include the purchase of maintenance vehicles and equipment and other minor capital projects. We will begin 2006 with approximately \$8.7 million in this fund and will be transferring approximately \$6.5 million throughout the year, leaving a balance of \$15.2 million available in 2006.

Approximately \$2.7 million is committed to ongoing projects that were funded in 2005. A major project in this ongoing category is replacement of our PBX telephone system which was awarded at the September Commission Meeting. This project is scheduled for completion the first quarter of 2006.

Approximately \$11.1 million will be allocated for new projects in 2006. Again, I'll review the major expenditures. \$2.5 million has been allocated for the upgrade of our fiber-optic communication system. About twenty years ago, the Ohio Turnpike was one of the, if not the "first road" in the country to lease our right-of-way to companies that route fiber-optic cable. As part of these agreements, the Turnpike received a portion of the fiber-optic cable for our own use. All the buildings on the Turnpike are connected via the fiber-optic network, and it is now time to upgrade equipment associated with the network. This upgrade will permit implementation of ITS components as well as improve the function of our day-to-day business applications.

You will recall at our last Commission Meeting, we approved a design contract for the "west wing" of the Administration Building, and in 2006 will fund the construction of this project for \$1.8 million. This project is similar in nature to the project that was recently completed in the "east wing" of this building.

\$1.5 million will be allocated for replacement and upgrading of 145 exit toll ticket transports at all of our interchanges. Ticket transports are a vital component of our toll collection system. This equipment is utilized for issuing tickets as a vehicle enters the Turnpike as well as accepting the ticket upon exit and determining the proper toll.

A total of \$1 million has been allocated to the computer equipment category not only for new and replacement equipment, but for required software upgrades.

Finally, with the \$2.7 million of continuing expenditures from 2005 and the \$11.1 million of new proposed expenditures for 2006, we'll leave approximately \$1.4 million in "uncommitted" funds.

The third component of the Budget is the **Fuel Tax Fund**. This account is funded by the **five (5) cents** of fuel sales of the 28-cent State Fuel Tax we receive from the fuel

sold at our service stations. We will begin the year with approximately \$6.6 million in this fund, and adding the projected \$3.0 million transfer in 2006 will result in approximately \$9.6 million. Continuing expenditures of \$25,000 will be carried over from 2005.

Fuel Tax projects include \$1.8 million for re-painting of twelve (12) bridge structures as well as two (2) resurfacing projects (ramps at Interchange 161 in Cuyahoga County, which is our connection with Interstate 71, and also 9.1 miles of mainline resurfacing in Lorain and Cuyahoga Counties.) This results in \$8.1 million being allocated for new projects from the Fuel Tax Fund.

With \$8.1 million being committed, given that \$9.6 million is available in this fund, approximately \$1.5 million will be uncommitted in the Fuel Tax Fund.

The final component of the Capital Budget is the **Service Plaza Capital Improvement Fund**. This account is funded from 1% of sales from food and retail goods sold by the vendors operating at the ten (10) reconstructed service plazas. These funds are designated for capital improvements at these facilities. Revenue of approximately \$533,000 is projected for 2006. Adding this to the projected 2006 beginning balance of \$1.7 million results in approximately \$2.3 million available. Approximately \$130,000 will be committed to both ongoing and new projects resulting in approximately \$2.1 million uncommitted in the Service Plaza Capital Improvement Fund.

In summary, total expenditures for new and ongoing projects for the 2006 Capital Budget will be approximately \$66 million.

Mr. Castrigano said, with your permission, Mr. Chairman, I'd like our General Counsel to read the Resolved.

General Counsel read the Resolved as follows:

"RESOLVED that the Commission hereby authorizes 2006 capital expenditures from the System Projects Fund, Renewals and Replacements Fund, Fuel Tax Fund and Service Plazas Capital Improvement Fund, not to exceed a combined total of **\$66,498,000.**"

The Chairman said, is there a motion to adopt?

Commissioner Kidston moved and Commissioner Regula seconded.

The Chairman said, are there any questions?

Representative Buehrer asked, relating to the third-lane project in Wood County, you said it is a two-year project, would that be a "phased" project?

Mr. Castrigano said, the project will not be bid in two separate projects, it will be bid as one contract. The contract staging or specifications will state that, during the first

year we will work on the bridge substructure and widening of the concrete bridge decks, and the second year will be the actual roadway.

Representative Buehrer also asked, looking at the beginning balances of these funds, will they be lower in January 1, 2007 than they are in January 1, 2006; do you have a comfort level in that?

Mr. Castrigano said, we also look at the uncommitted funds. In each fund, we save some funds set aside. Again, these are only "preliminary" projects. We will re-assess these projects as we go along to see how the toll traffic projections match up with what we are actually bringing in, and we may revise or delete some projects.

Representative Buehrer asked, as a follow-up, are you saying that the beginning balances will not be significantly lower when we enter 2007 than they are today?

Mr. Castrigano said, although the projection is that they may be lower, I defer to our CFO.

Mr. Steiner said several years ago we were selling bonds, and we did have a lot more funds to work with. At this point, we are basically "hand-to-mouth." We do have some money in reserves, but working with Bobby Everhart, we try and project out our expenses as carefully as we can and, as the Chief Engineer indicated, we will be monitoring our toll revenue. If we see there is a decline, we will delay or eliminate some projects. It is a "tight" budget, but I believe with the amount of funds we left uncommitted, it is acceptable.

Chairman Balog said, Jim, there has been discussions about the service plazas at Milepost 20 and Milepost 49 and what we are going to do as the Commission evaluates its options. As Dan indicated, it appears that we are probably not going to do anything as far as construction for those two sets of plazas in 2006. We have allocated \$10 million (\$7 million potentially in 2006 and \$3 million the following year). Is there a better use for that money? If we delay reconstructing the service plazas for a year because we don't know exactly what we are going to do, would we be better off to pre-pay our bonds or do anything of that nature rather than leave the money alone to earn interest at the rates in this day and age?

Mr. Steiner said, fortunately, interest rates have been going up. The federal funds rate is now 4.25%, so that does help. I think with the Capital Budget being as tight as it is, the best option is to hold those funds in the System Projects Fund, which will give the Commission a little more flexibility. We have a number of projects that we are still looking at, and we have a toll consultant currently looking at the possible upgrade or replacement of our toll system that is likely to cost many millions of dollars. That's the kind of project that we could suggest to the Commission, if we were not going to utilize these other funds.

Chairman Balog said so, even though as Representative Buehrer pointed out our uncommitted funds and our balances would be less, by having this \$7-10 million funds on-hold, that money would be available if, by chance, the Commission made a decision that we needed to spend some money on another project. We could move that money from that fund into another?

Mr. Steiner said, that's correct Mr. Chairman.

Chairman Balog said, I have one more question. I think everyone is aware that we have struggled with what we are going to do with tolls for the second half of 2006, and decided to leave them at the present rate for the second half of the year so we can see how the increase or decrease of gasoline prices will affect our revenue and analyze several other factors. What's the level of service between Interchange 64 (Perrysburg/Toledo) and Interchange 71 (Stony Ridge-Toledo)? I know when you look at the map you provided, this section of the Turnpike is right between two interstates. What has Bobby Everhart projected for us in terms of level of service?

Mr. Castrigano said, our current calculations from August, 2005 indicate that this area shows us at Level of Service-E. (Levels of Service go from A-F.) Without the third-lane construction between Interchange 64 and 71, we are projecting Level of Service to fall to F by 2010.

Chairman Balog said, I have heard a little bit from ODOT that there was some concern. How do we calculate this? Is there a standard model that you calculate for level of service?

Mr. Castrigano said I'd like to refer these questions to Bobby Everhart, our traffic consultant.

Mr. Everhart said, the analysis was made using McTrans HCS2000 software, which is based on the Highway Capacity Manual, the standard for assessing the level of service. It is basically a planning and design tool used to simulate the level of service under hypothetical traffic densities and roadway configurations. This establishes the design parameters necessary to provide the desired future level of service, which, for the Ohio Turnpike, is a minimum of LOS C. In this case, it was an operational analysis that simulated operation with the actual traffic densities experienced last summer. During some periods, there were total breakdowns. This is the type of thing you'd expect under Level of Service E, and it validates the simulation. Level of Service E is approaching the total capacity of the facility. This occurs in short periods of time and, on two-lane sections of the Turnpike if you observe traffic, you will notice that it tends to be grouped in "platoons." Normally, one or more trucks control the flow of traffic. When a platoon passes, there may be a few seconds of completely vacant roadway. Overall, the capacity of the highway isn't being utilized very efficiently, primarily because of the high percentage of slower moving trucks.

In the third-lane sections, automobile traffic disperses into the left lane, and trucks have the freedom to maneuver in the right two lanes. However, on two-lane sections, because of the speed differential between cars and trucks, trucks often occupy both lanes for significant distances, and a tailgating queue quickly forms in the left lane behind them. The level of service analysis is based on the equivalent density of passenger cars per lane per mile. Passenger car traffic peaks on weekends (Fridays and Sundays.) Truck traffic peaks during the week (Tuesday, Wednesday and Thursday.) So this analysis was based on the mid-week peak when trucks constitute 38% of the total traffic volume, and one truck is considered to be the equivalent of 2-1/2 cars. If anything, this probably is a conservative estimate. When one truck is passing another, it could be 10 to 1, and doubles and triples have more effect, too. So the total traffic density of 51,000 and 38% trucks is the equivalent of more than 80,000 passenger cars. That level of density on a high-speed facility results in close spacing of vehicles in the platoons and stressful, unsafe operating conditions. And, as I said before, this simulation is confirmed by what actually happened there in August 2005. This is the most important thing – what’s happening on the highway, rather than some numbers calculated by empirical formulas. Again, the conditions verify the numbers.

Commissioner Kidston asked, what does the model tell you our service will be after completion of the third-lane?

Mr. Everhart said Service Level-C.

Commissioner Regula said, on a need basis, would you consider this portion to be of greatest need over the next five-year period versus any others that we don’t have three lanes?

Mr. Everhart said absolutely, it’s very significantly the highest priority.

Chairman Balog asked, how does the level of service there compare to the short section in Summit County – where we go from three lanes to two lanes and back to three?

Mr. Everhart said the short section in Summit County is at Level of Service C and will continue to be at C for a number of years. I think it’s about 2011-2012 until it goes to Level D. The important thing about the area in Summit County is that it is a small gap with long three-lane sections on either side, so it’s a safety issue. You reduce the number of lanes without reducing the traffic density. It would be helpful if that third lane were extended up to Toll Plaza 180 (old Gate 12 or S. R. 8), then you lose a significant amount of traffic there before you lose the third lane just beyond the interchange. That would be a safer condition.

Chairman Balog said, so that would be a portion of the work that could be done to make conditions safer, is that what you are suggesting?

Mr. Everhart said, you know when we have people traveling for a long distance in the third lane and you drop that third lane on the left side, it can be a dangerous condition. All of a sudden, they are without it. They have to merge into the middle lane where there may not be an adequate gap between vehicles. Thus, it is potentially a dangerous situation.

Chairman Balog said thank you. If there are no further questions, please call the roll.

The "Resolution Adopting Proposed Capital Budget for the Year 2006" was moved for adoption.

Resolution Adopting Proposed Capital Budget for the Year 2006

WHEREAS, the 2006 operating budget includes transfers of revenues to the System Projects Fund, Renewals and Replacements Fund, Fuel Tax Fund and Service Plazas Capital Improvement Fund; and

WHEREAS, the transfers of 2006 revenues to the System Projects Fund, Renewals and Replacements Fund, Fuel Tax Fund and Service Plazas Capital Improvement Fund are intended to be added to any unspent balances in these funds and the total to be available for capital expenditures; and

WHEREAS, the Commission's Executive Director, Chief Engineer and CFO/Comptroller have recommended a preliminary list of 2006 capital expenditures, which list of projects is subject to change, totaling **\$66,498,000**.

NOW, THEREFORE, BE IT

RESOLVED that the Commission hereby authorizes 2006 capital expenditures from the System Projects Fund, Renewals and Replacements Fund, Fuel Tax Fund and Service Plazas Capital Improvement Fund, not to exceed a combined total of **\$66,498,000**.

(Resolution No. 53-2005 adopted December 19, 2005)

The resolution was adopted with the following Members voting in the affirmative: Mr. Kidston; Mr. Regula, Mr. Dixon and Mr. Balog. Deputy Director Darwish voted nay.

The Assistant Secretary-Treasurer said four Members voted in the affirmative and one nay, the resolution is adopted. It has been identified as No. 53-2005.

Chairman Balog asked Jim Steiner, CFO for his report.

Mr. Steiner said, this morning I'll be presenting the 2006 Operating Budget. This slide shows a pie chart which provides an overview of the proposed revenue budget. It is expected that tolls will represent 85.5% of the Commission's revenues. The Commission did receive a one-time payment of \$23.4 million from ODOT, for the purchase of excess Turnpike capacity for the 18-month period from January 1, 2006

through June 30, 2006, and no additional payments from ODOT are expected. The ODOT funding for 2006 will represent 3.7% of total revenues. Other revenues are generated from sales of food and fuel at the Commission's service plazas, investment earnings and other miscellaneous sources.

This chart shows passenger miles traveled on the Ohio Turnpike over the past two years. Most of this year, passenger car miles traveled have been trailing the numbers from 2004 and have dropped rather precipitously the last four (4) months. Passenger car miles traveled were down 4.8% in August, 7.0% in September, 6.1% in October and 3.6% in November, as compared to last year. Record-high fuel prices are likely the primary reason for this steep decline. Due to the improved economy, the increase in the speed limit, the temporary reduction in toll rates and the increased weight and speed enforcement on parallel state routes, miles traveled by commercial vehicles during the last twelve months continued to exceed those from the prior year.

This bar chart shows year-to-date miles traveled. Passenger car miles traveled during the first eleven (11) months of this year were down 2.9% from last year, while miles traveled by commercial vehicles were up 15.8%. This chart shows our year-to-date toll revenues through the month of November for the last six (6) years. Revenues from passenger cars during the first eleven (11) months of 2005 were down \$2 million or 2.7% from last year, while revenues from commercial vehicles were down \$7.4 million or 7.3%. Total toll revenues during the first eleven (11) months of this year were down \$9.4 million or 5.4% in comparison to last year.

This chart compares the 2005 and 2006 revenue budgets. As I mentioned, passenger car traffic has been declining this year and only a slight improvement is expected in 2006. Assuming continued strength in the national economy, our commercial traffic should show some growth in 2006. It is assumed that the Commission will extend the temporary reduction in commercial toll rates for an additional six (6) months through December 31, 2006. Based on these assumptions, our traffic consultant, Bobby Everhart of URS, projects the total toll revenues will increase by about \$2.6 million or 1.5% in 2006 compared to the current budget total of \$181.2 million. However, I want to point out that this is \$11.3 million lower than our actual 2004 toll revenues. Since ODOT's purchase of Turnpike capacity will likely not continue beyond the first half of 2006, this component of the budget has been reduced from \$15.6 million this year to \$7.8 million in 2006. Due primarily to the re-opening of the Blue Heron and Wyandot Service Plazas, our concession revenues are budgeted to increase by \$1.5 million or 11.3%, and higher interest rates should yield additional investment earnings next year. Total 2006 revenues are expected to decline by about \$1 million or ½ of 1% compared to the current year's budget.

In 2006, the Commission expects to spend only 4.3% of its budget on administrative and insurance costs and plans to allocate 17.3% of the budget to maintenance of the roadway structures, 24.6% to the operation of the toll and service plazas, and 6.8% for traffic control, safety patrol and communications. The Commission has over \$700 million in bonds outstanding. The debt service on those bonds will

require 24.8% of our 2006 expenditures budget, and the Commission plans to utilize the remaining 22.2% for capital projects.

This chart compares the 2005 and 2006 expenditure budget by function. The 2006 administrative and insurance costs are budgeted at \$9.1 million, an increase of less than \$8,000 or 1/10 of 1% over the 2005 budget. Budget for maintenance of roadway and structures totals \$36.4 million, an increase of \$2.8 million or 8.4%. The primary reasons for this increase are the anticipated dramatic increase in fuel and utility costs along with legally-mandated environmental remediation costs. The cost of operating the toll and service plazas is budgeted at \$52 million with an increase of \$2.2 million or 4.5% compared to 2005. The staffing, cleaning and utility costs for re-opening the Blue Heron and Wyandot Service Plazas contribute to this increase. The cost of providing the services of the OSHP along with other traffic control, safety and communications services totals \$14.3 million, an increase of \$500,000 or 3.6% compared to 2005.

Debt service payments for next year total \$52.5 million, which is a reduction of \$6.8 million or 11.5% compared to the current year. This is the result of the early retirement of the remaining outstanding series 1994 bonds this past February. Debt service payments will return to their more typical level of about \$55 or \$56 million in 2007.

Due to the reduced revenues and increased operating costs, funds available for capital projects are expected to drop \$3.2 million or 6.4% from the current year to a level of \$46.9 million.

This worksheet compares operating costs for 2005 and 2006 by the type of expense. Total salaries, wages and fringe benefits were held to an increase of \$2.4 million or 3.3%. This includes salary and wage increases for the toll collectors and maintenance workers covered by the Collective Bargaining Agreement with the Teamsters along with the comparable increase for non-bargaining employees. During the 2004 collective bargaining negotiations, the Commission negotiated cost containment changes to the health care benefit package provided to bargaining-unit employees. Changes are similar to those previously implemented for the non-bargaining employees. Modifications to the health insurance plan have resulted in a 7% reduction in prescription costs. In addition, following the lead of the non-bargaining employees, all bargaining unit employees are now contributing to the cost of their health care, thereby lowering our health care costs by about \$660,000.

Payments to the OSHP are expected to increase by about \$400,000 or 4.2% next year. Including the OTC support staff and equipment, the annual cost of providing this service exceeds \$10 million. Excluding the five items on the bottom of this schedule, all other non-salary related expenses which total \$17.1 million were held to an increase of just \$116,000 or 0.7%. When added to the personnel costs and the cost of the OSHP, the combined increase for 2006 was held to 3% in comparison to the 2005 budget.

Unfortunately, the combined cost of utilities, truck and maintenance equipment operation, which includes fuel and legally mandated contamination remediations are expected to increase by \$2.6 million or 40.9%. Hopefully, the actual cost increases will be somewhat lower. This brings the total increase in operating maintenance and administrative costs to \$5.6 million or 5.2%.

This slide shows a comparison of the 2005 and 2006 budgets for “pledged funds.” The 2006 budget of pledged revenues total \$208.1 million, a reduction of \$1.4 million or 0.7% from 2005 budgeted revenues. This reduction is a result of the mid-year termination of ODOT’s purchase of Turnpike capacity.

While 2006 budgeted operating and administrative expenses are \$5.6 million higher than the current year, the lower debt service payments result in a net reduction in total expenditures of \$1.2 million compared to 2005.

The Commission’s Master Trust Agreement requires that we maintain a reserve equal to 1/12 of our annual operating maintenance and administrative expense budget. With the proposed increase in our expense budget of \$5.6 million, we will need to add 1/12 of this amount or \$464,000 to the Expense Reserve Fund. The remaining transfers, totaling \$43.4 million, are the funds needed to support the Capital Budget, which the Chief Engineer just presented.

With the expected continuation of the reduced commercial toll rates and the anticipated mid-year termination of ODOT’s purchase of capacity, the Commission’s budgeted debt coverage ratio will decline from 1.95 this year to 1.84 in 2006. Had the Commission not retired the outstanding series 1994 bonds ahead of schedule, as we did this past February, the 2006 debt coverage ratio would be about 1.72. Our rating agencies generally require a debt coverage ratio of 2.0 in order to maintain the Commission’s “AA” credit rating.

Chairman Balog said, could we take a moment and review that debt coverage ratio? Correct me if I’m wrong, but our Trust Agreement requires us to be at 1.2 and by previous resolution we agreed to maintain a 1.5 ratio?

Mr. Steiner said, that’s correct. Under our Master Trust Agreement, we must always, under every circumstance, maintain a coverage ratio of 1.2. There are two circumstances that we must maintain a 1.5 coverage ratio: 1) if the Commission intends to sell new bonds, we must have a 1.5 coverage ratio in the year preceding the issuance of those bonds taking into account the additional debt service on the new debt; and 2) if the Commission decides to lower toll rates on other than an temporary basis, the Commission must demonstrate we can maintain a debt coverage ratio of 1.5 for every year during which bonds are outstanding. This would be to 2031. Because the toll reduction the Commission has approved is deemed to be “temporary,” we do not have to comply with this requirement. However, should the Commission continue to extend these temporary reductions, at some point, they would probably be considered

“permanent” and, at that point, we would have to document that we can maintain a 1.5 ratio out to 2031. The Commission did pass a resolution setting a goal of 1.5 coverage at all times. Of course, this Commission could change that requirement at any time.

Chairman Balog asked, could you explain the calculation of the debt coverage ratio?

Mr. Steiner said, basically you take the total revenues, in this case, \$208 million, and subtract your operating and administrative expenses of \$111.8 million. Then you divide that net amount by the debt service of \$52.4 million. That’s generally what the calculation is.

Chairman Balog said thanks, Jim.

Commissioner Kidston asked, how is the concession revenue generated?

Mr. Steiner said that revenue is from the sale of food and other retail goods at the Commission’s service plazas.

Commissioner Kidston said, is that a 1% rate?

Mr. Steiner said, no the rates vary depending upon whether it’s fast food or a sit-down restaurant. We have different rates for vending, etc. The 1% that the Chief Engineer mentioned is the specific item that is set aside for capital improvements.

Mr. Kidston said, our utility costs looks like they went up 20%. You’re showing an 11% increase in concession revenue. My question is, is there a clause in our agreement with concessionaires? Do they pay their own utilities?

Mr. Castrigano said, regarding utilities at our service plazas, each individual vendor has their own meters and their own contracts with utility companies for their own space. In addition to that we provide the lighting for the parking area, the general areas and also the heating for the building. Therefore, in addition to the rent which Mr. Steiner spoke of, which ranges anywhere from 6% to 14% depending upon what they bid on their contract, the vendors are assessed a charge for CAM (Common Area Maintenance based on the square footage they occupy.) This is the additional charge which I referred to earlier. It covers one-half of our janitorial service and utility fees. There is an additional property management fee of 4%, which is meant to defray the cost of the common area maintenance and snow plowing of the grounds. There is not a clause in their contracts for an escalator for their utilities because the majority of their utilities are contracted on their own.

Chairman Balog said, thank you.

Mr. Steiner continued and said, this is the 2006 proposed budget for “non-pledged funds.” As the Chief Engineer mentioned in his report, the major source of

non-pledged revenue is the **5 cents** in fuel tax from each gallon of fuel sold at the Commission's service plazas. The total proposed non-pledged revenue budget is \$3.9 million, an increase of \$400,000 compared to 2005. Non-pledged funds are also used to support the Commission's Capital Budget.

Mr. Steiner noted to Commissioner Kidston that the concession revenue you see here is the 1% that the Chief Engineer previously mentioned.

The total proposed 2006 Operating Budget is \$211,981,100 which is a reduction of \$1 million or ½ of 1% compared to the current year's budget. Both Ohio law and our Master Trust Agreement requires the Commission to adopt an annual Operating Budget on or before the first day of year, and there is a proposed resolution in your materials.

Would General Counsel please read the Resolved?

General Counsel read the Resolved as follows:

"RESOLVED that the Commission hereby adopts the following as its Annual Operating Budget for the Year 2006 and the Executive Director, his successor or the CFO/Comptroller are directed to transmit a copy of the budget to the appropriate officials set forth in Section 5537.17(F) and to The Huntington National Bank, Trustee, under the Commission's Trust Agreement as is provided in Section 5.01(a)(iii) as outlined on the attachment:"

The Chairman said, is there a motion to adopt?

Commissioner Kidston moved and Commissioner Regula seconded.

The "Resolution Adopting Proposed Operating Budget for the Year 2006 and Providing for Deposits Required Under the 1994 Trust Agreement During Said Year" was moved for adoption.

RESOLUTION ADOPTING PROPOSED OPERATING BUDGET FOR THE YEAR 2006 AND PROVIDING FOR DEPOSITS REQUIRED UNDER THE 1994 TRUST AGREEMENT DURING SAID YEAR

WHEREAS, Section 5537.17(F), Revised Code of Ohio, requires the Commission to submit a copy of its Proposed Annual Operating Budget to the Governor, the Presiding Officers of each House of the General Assembly, the Director of Budget & Management, and the Legislative Budget Office of the Legislative Service Commission, no later than the first day of the calendar or fiscal year; and

WHEREAS, the Master Trust Agreement dated February 15, 1994 between the Commission and The Huntington National Bank (Trust Agreement) provides that the Commission shall adopt an annual operating budget on or before the first day of each fiscal year and shall file same with the Trustee; and

WHEREAS, the Commission in order to comply with the provisions of Section 5537.17(F) of the Revised Code of Ohio, and the provisions of the Trust Agreement, takes the following action.

NOW, THEREFORE, BE IT

RESOLVED that the Commission hereby adopts the following as its Annual Operating Budget for the Year 2006 and the Executive Director, his successor or the CFO/Comptroller are directed to transmit a copy of the budget to the appropriate officials set forth in Section 5537.17(F) and to The Huntington National Bank, Trustee, under the Commission's Trust Agreement as is provided in Section 5.01(a)(iii):

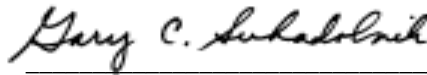
**OHIO TURNPIKE COMMISSION
2006 OPERATING BUDGET**

	<u>PLEGGED</u>	<u>NON-PLEGGED</u>	<u>TOTAL</u>
REVENUES:			
TOLL	\$ 181,179,000	\$ -	\$ 181,179,000
ODOT PURCHASE OF CAPACITY	7,800,000	-	7,800,000
INVESTMENT	3,411,000	575,000	3,986,000
CONCESSION	14,531,600	482,700	15,014,300
FUEL TAX	-	2,800,000	2,800,000
OTHER	1,201,800	-	1,201,800
TOTAL REVENUES	<u>\$ 208,123,400</u>	<u>\$ 3,857,700</u>	<u>\$ 211,981,100</u>
EXPENDITURES:			
OPERATION, MAINTENANCE & ADMINISTRATION:			
ADMINISTRATION & INSURANCE	\$ 9,068,200	\$ -	\$ 9,068,200
MAINTENANCE OF ROADWAY & STRUCTURES	36,451,200	-	36,451,200
SERVICES & TOLL OPERATIONS	51,994,100	-	51,994,100
TRAFFIC CONTROL, SAFETY, PATROL & COMM.	14,293,600	-	14,293,600
TOTAL OPERATION, MAINTENANCE & ADMIN.	<u>111,807,100</u>	<u>-</u>	<u>111,807,100</u>
DEBT SERVICE PAYMENTS	<u>52,453,500</u>	<u>-</u>	<u>52,453,500</u>
TOTAL EXPENDITURES	<u>164,260,600</u>	<u>-</u>	<u>164,260,600</u>
TRANSFERS:			
EXPENSE RESERVE	464,000	-	464,000
NON-TRUST FUND	-	325,000	325,000
FUEL TAX FUND	-	3,000,000	3,000,000
SERVICE PLAZAS CAPITAL IMPROVEMENT RESERVE	-	532,700	532,700
RENEWAL & REPLACEMENT FUND	6,500,000	-	6,500,000
SYSTEM PROJECTS FUND	36,898,800	-	36,898,800
TOTAL TRANSFERS	<u>43,862,800</u>	<u>3,857,700</u>	<u>47,720,500</u>
TOTAL EXPENDITURES & TRANSFERS	<u>\$ 208,123,400</u>	<u>\$ 3,857,700</u>	<u>\$ 211,981,100</u>

(Resolution No. 54-2005 adopted December 19, 2005)

I, Gary C. Suhadolnik, Executive Director of the Ohio Turnpike Commission, do hereby certify that the above is a true copy of the aforesaid resolution which was duly adopted at a meeting of the Commission, duly called for and convened and held on December 19, 2005, at which a quorum was at all times present and voting.

WITNESS my hand and the seal of the Ohio Turnpike Commission on this 19th day of December, 2005.



Gary C. Suhadolnik
Executive Director

Commissioner Kidston said, one more question, why are we limited to the nickel tax on the fuel? Was there a preceding agreement?

Director Suhadolnik stated, it's state law. For some reason we were given a **nickel** – maybe when the Turnpike started. At that time, in 1955 the gasoline tax was a nickel a gallon, but as successive increases have happened, the General Assembly, in their wisdom, has not seen fit to give us additional compensation. No one wants to hear this, but when someone drives on the Turnpike, they are paying their toll to drive on the Turnpike, but they are also paying fuel taxes, the majority of which goes some place else.

Chairman Balog said, it is what it is. Any further questions?

Representative Buehrer asked, given what we saw on the other slides concerning debt service ratio, what are we projecting in 2007?

Mr. Steiner said, it depends on what the toll rates are. If we still have the temporary toll rate in effect (I think the Commission is considering an extension through December 31, 2006), and depending upon what the Commission chooses to do with the toll rates at that time, this will determine what the ratio will be. If the current toll rates continue, the coverage ratio could drop to 1.6 and it could continue to decline from there.

Chairman Balog said, any more questions?

Commissioner Regula asked if the booklet we received on the Operating Budget, is traditionally sent to our larger commercial carriers and/or trucking associations?

Director Suhadolnik said we usually don't, but since you had indicated you might like us to do that, we came up with a list of fifty companies, and we plan to send them copies of the report this week.

Commissioner Regula said terrific. I think it's important for the people who are using the road to understand where our costs are and to see those figures so they can see what we are attempting to do at the Turnpike. Thank you.

The Chairman said, if there are no further questions, please call the roll.

The resolution was adopted with all Members voting in the affirmative. The resolution was identified as No. 54-2005.

Mr. Steiner said, that completes my report, Mr. Chairman.

Chairman Balog said, is there a report from General Counsel?

General Counsel Tsevdos said I have no report, but I believe a memo addressing Commissioner Dixon's question about "Buy Ohio" was forwarded to the Commission Members in last week's mailing. If you have any questions, please call me.

Chairman Balog said, is there a report from our financial advisor, Mr. Erickson?

Mr. Erickson said, no report, Mr. Chairman.

Chairman Balog said, is there a report from our general consultant, Tony Yacobucci?

Mr. Yacobucci said, no report, Mr. Chairman.

Chairman Balog said, is there a report from our trustee, Mr. Lamb?

Mr. Lamb said, no report, Mr. Chairman.

Chairman Balog said, is there a report from the OSHP?

Staff Lt. Monte Morgan said I have a brief report. Just since we last met in November, we investigated one fatal crash that occurred near the Hiram area on December 15 at Milepost 192 in Portage County. It did involve a commercial vehicle once again, however, it was a passenger van that had lost control, drove off the right-side of the roadway, struck a guardrail, careened back onto the roadway and was rear-ended by a tractor-trailer vehicle. Three unrestrained occupants were ejected from the vehicle killing an adult female passenger. Also worth noting, as part of our ongoing programs to patrol criminal activity on the Ohio Turnpike, in Lorain County on November 30th, a trooper stopped a westbound vehicle and recovered just under \$27,000 in cash. It was unclaimed, and the DEA is assisting us with that. We are also continuing our efforts on the overweight vehicles. We have had two occurrences within the last three weeks involving commercial motor vehicles attempting to enter the Ohio Turnpike considerably overweight. We continue to work with legal counsel in order to make

some changes that will help us effectively do our job in keeping overweight commercial vehicles off the Ohio Turnpike. That concludes my report, Mr. Chairman.

The Chairman said, any questions for Lt. Morgan? If not, I'll accept a motion to adjourn. We will be observing the Martin Luther King holiday on Monday, January 16th and Presidents Day on Monday, February 20. It is my understanding in speaking with the Executive Director, that there is not a need to have a January meeting at this point in time.

So we will go ahead and schedule our February meeting. Consensus seems to be **Thursday, February 23, 2006 at 10:00 a.m.** Does that work for everyone? Fine.

We'd also like to remind the Members of the Commission's annual holiday and Employee Recognition luncheon is on Friday, December 23, 2005 at 11:30 a.m. You are welcome if your schedule permits.

Commissioner Kidston moved for adjournment and Deputy Director Darwish seconded. All Members voted in the affirmative to adjourn the meeting.

Time of adjournment was 11:00 a.m.

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

George F. Dixon, Secretary-Treasurer