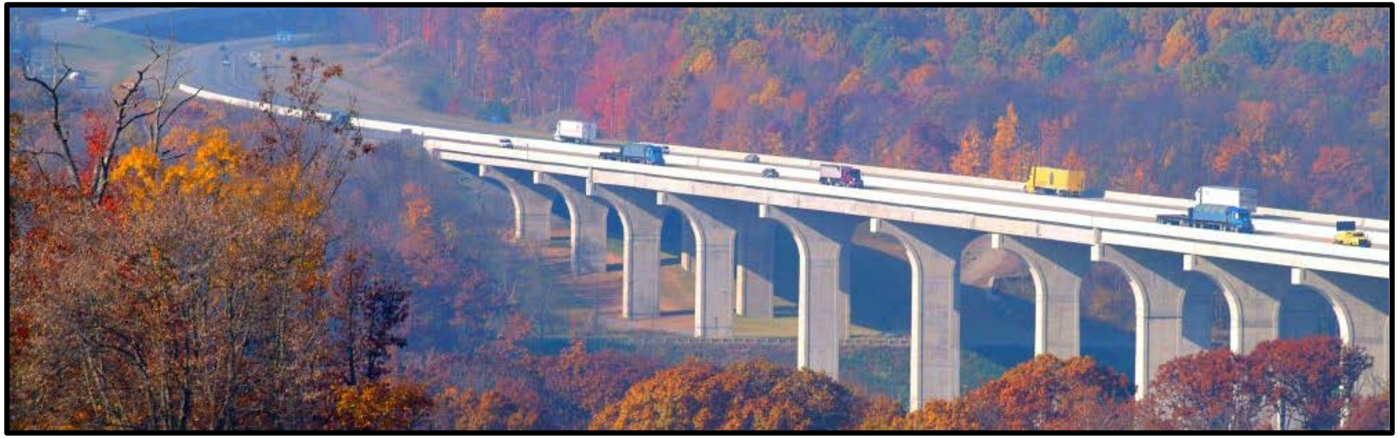
Ohio Turnpike and Infrastructure Commission



IBTTA PRESENTATION
SEPTEMBER 2014

Implementation of the Ohio Jobs and Transportation Plan through the Issuance of Turnpike Bonds

Presented by:

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Ohio Turnpike and Infrastructure Commission Overview

The Ohio Turnpike is a critical transportation asset to the State of Ohio and is a vital 241-mile route supporting commerce and economic activity in Ohio, across the Great Lakes, and the eastern half of the United States

- For nearly 60 years, the Commission has operated and maintained the Turnpike using primarily toll revenues .
- On July 1, 2013, the Ohio Turnpike Commission officially became the Ohio Turnpike and Infrastructure Commission ("OTIC").

The Commission’s New Mission

The Commission’s mission now officially encompasses both:

- Funding, operating and maintaining the Ohio Turnpike at its current standards; and
- Funding “Infrastructure Projects” in partnership with the Ohio Department of Transportation.

Under the recently implemented Ohio Jobs and Transportation Plan, the Commission remains an independent organization in control of its own destiny.

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The KPMG Study

- With fuel tax revenues waning due to more fuel efficient vehicles and a less than stable economy, coupled with projects that cost more to complete due to inflation, in January 2012, ODOT announced a $1.6 billion budget shortfall.

- This funding crisis meant that ODOT would need to postpone some of the state's largest, most complex transportation construction projects by up to a decade or more.

- In an effort to address this funding deficit, Governor John Kasich, along with ODOT and the state's Office of Budget and Management began to explore the Ohio Turnpike Commission as a potential revenue source.

- The "Ohio Turnpike Opportunity Analysis" was commissioned to assess the options available to unlock the value in the Ohio Turnpike while preserving its future viability and quality of service, The scope of the analysis was to conduct an assessment of the commercial, financial, strategic and technical current and future needs of the Ohio Turnpike.

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Ohio's Jobs and Transportation Plan

After a competitive procurement process, KPMG was selected in March 2012 to conduct the Ohio Turnpike Study that evaluated three basic options:

1. Long-Term lease agreement with a private concessionaire;
2. ODOT assuming the Turnpike's operations; or
3. Keeping the Status Quo and utilizing the Commission's borrowing capacity to fund Infrastructure Projects.

On December 13, 2012, the Ohio Turnpike Analysis was published as part of Governor Kasich's Ohio Jobs and Transportation Plan.

<u>Option 3 was selected as the preferred method</u>:

"After more than 10 months of careful study and deliberation, the state has decided not to lease the Ohio Turnpike. Instead, the turnpike would issue bonds backed by future toll revenue and use that money to build critical transportation projects mostly in Northern Ohio." www.ohioturnpikeanalysis.com

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Ohio's Jobs and Transportation Plan, Cont'd.

"Ohio Turnpike Commission Remains Intact"

Key reasons behind selection of this Option included:

- The Turnpike would not be leased;
- The Commission would remain independent;
- In addition to issuing turnpike revenue bonds to fund infrastructure projects, the Turnpike would also issue bonds to provide funds it needs to perform essential projects;
- Virtually all Infrastructure Funds would be spent in Northern Ohio;
- Tolls would only be increased at the rate of inflation (or 2.7% annually) over the next ten years; and
- No layoffs would occur under this Option.

Quoting the Ohio Turnpike Analysis

"Job Creation and Economic Growth – While leasing the Turnpike may have generated more funds, it brought with it unacceptable ramifications. Bonding against future Turnpike revenue generates new funds to greatly decrease Ohio's highway budget deficit as well as rebuild the entire Turnpike sooner than planned. Maintaining public Turnpike control and an independent Turnpike Commission helps keep tolls low and workers on the job, and better coordination with ODOT keeps virtually all Turnpike revenue in northern Ohio. Most important, $1.5 billion in new highway funds further strengthens Ohio's jobs-friendly climate and keeps our state moving." www.ohioturnpikeanalysis.com

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Ohio Turnpike Legislation (HB 51)

On April 1, 2013, Governor Kasich signed HB 51 into law after it passed both the House and the Senate with bipartisan support; it became effective on July 1, 2013.

HB 51 Highlights

- Changed the Ohio Turnpike Commission's name to the Ohio Turnpike and Infrastructure Commission ("OTIC").
- Expanded the general purposes of the Commission to specify that it may finance the capital for infrastructure projects with a "nexus" to the Turnpike.
  – "Nexus" is defined as including a project's:
    - Physical proximity and connectivity to the Ohio Turnpike;
    - Impact on Ohio Turnpike traffic and revenues'
    - Impact on the movement of goods and services on or in the area of the Ohio Turnpike; and
    - Enhancement or improvement of access between the Ohio Turnpike & connected areas
      of population, commerce, and industry.

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Provisions of HB 51 Cont'd.

- Established rules and process for financing infrastructure projects as submitted for consideration by ODOT.

- Subject to complying with bond covenants, toll increases for local *E-ZPass®* trips of less than 30 miles for class 1 vehicles are frozen only through 2023.

- Removed all provisions in the Ohio Revised Code that would have allowed for a private concession of the Turnpike.

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Addressing the Legal Issues

***<u>"Nexus" Issue</u>*:** There was a concern that tolls used to fund debt service for projects off the Turnpike could be viewed as an unconstitutionally impermissible excise tax. A review of the case law determined that tolls may used to fund debt service for projects with a sufficient "nexus" to the Turnpike as defined in HB 51.

<u>"Dormant Commerce Clause" Issue:</u> The provision in HB 51 to freeze *E-ZPass* tolls for passenger car trips of 30 miles or less was reviewed to ensure that it is does not contravene the U.S. Constitution's Dormant Commerce Clause. Federal courts have typically upheld these types of toll rate discounts when, as here, they are applicable to both interstate and intrastate trips.

<u>"Impairment" Concerns</u> : The 10-year freeze of *E-ZPass* tolls for passenger car trips of 30 miles or less also generated discussion about interference with the Commission's toll rate making authority, which could be a concern to bondholders. However, this provision was made subject to compliance with the bond covenants . It has had a very minimal impact on toll revenues, and actually is helping to increase commuter traffic on the Turnpike.

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OTIC – New Name, New Mission, Same Strong Credit

The Commission's high quality credit is based on an established operating history, willingness to increase tolls and strong bondholder legal protections.

Credit Strengths

- Long history of facilitating interstate travel and serving the diverse economic base of Northern Ohio
- Stable and mature traffic profile
- Good road conditions with ongoing fully-funded capital improvement plan funded primarily with cash
- Demonstrated willingness to raise toll rates in 2009, 2012 and new forward-looking toll regime to increase rates 2.7% per year through 2023
- Strong bondholder legal protections
- Strong existing and future liquidity and reserves, and high pro forma debt service coverage ratios

Credit Challenges…	*…are Mitigated*
New Mission and Higher Leverage	Strong legal covenants; formalized debt service coverage policy; Infrastructure Projects will improve access to the Turnpike and further strengthen Ohio's economy
Long-term Willingness to Raise Tolls	1995-1999, 2007, 2009 and 2012 Toll Increases; Commission has independent toll setting authority; *<u>10 years of increases adopted on July 15, 2013</u>*
Ensuring the Turnpike's O&M and CapEx is fully funded	CapEx funded by 97% PAYGO funding
Elasticity and Traffic Diversion	Strong and competitive statewide toll road, which is a vital link connecting the Northeast and Midwest regions; low toll rates by comparison

From start to finish, the $1 billion bond deal was concluded in an ambitious six-month period, with final closing in August 2013.

For the 2013 deal, the Commission retained the following firms:

- ***FINANCIAL ADVISOR*** – Professional Financial Management (PFM);
- ***TRAFFIC & REVENUE CONSULTANT*** – Jacobs Engineering;
- ***SENIOR UNDERWRITER*** – Citi Group; and
- ***BOND COUNSEL*** – Squire Sanders.

NOTE: The underwriting team also included thirteen other financial and banking firms that were given the opportunity to help market the bonds.

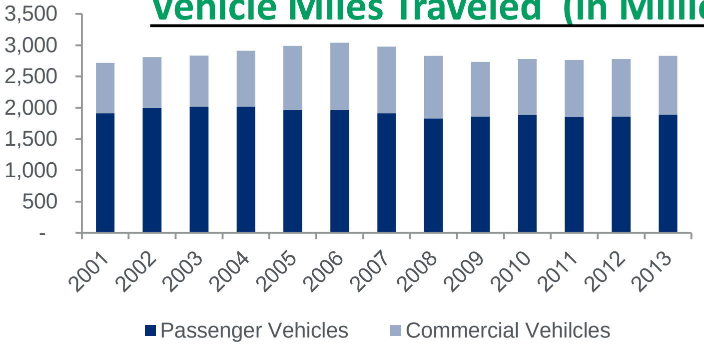
Recent Turnpike Performance 2001 to 2013

The Ohio Turnpike has experienced stable traffic and revenue and increasing debt service coverage notwithstanding the Great Recession.

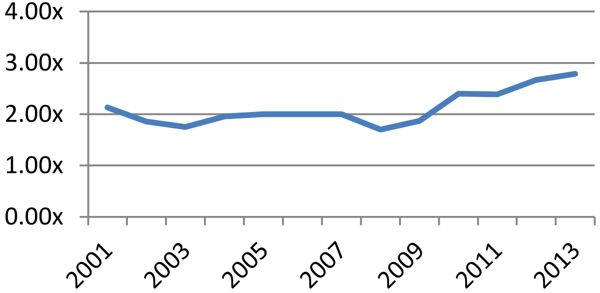
Commission Results Summary

- Stable annual traffic
- Toll revenue growth due to toll increases in October 2009 and January 2012
- *E-ZPass®* introduced in 2009
- Strong debt service coverage

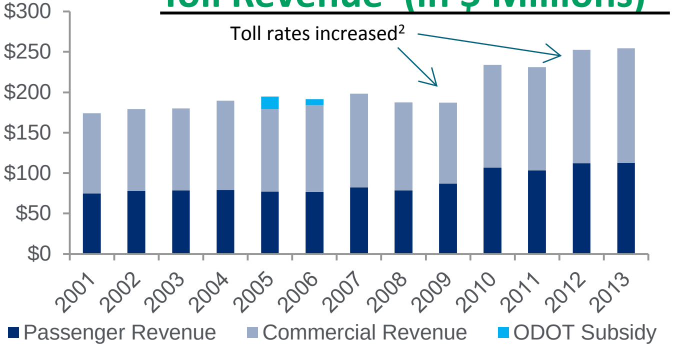
Vehicle Miles Traveled (in Millions)



Debt Service Coverage



Toll Revenue (in $ Millions) [1]



[1] ODOT Subsidy represents moneys paid by ODOT to the Commission in 2005 & 2006 to reduce toll rates for trucks [2] Toll rates increased in October 2009 and January 2012

The Commission Raised Tolls to Fund its New Mission

The Commission has independent toll setting authority under the Ohio Revised Code.

Since 1995, the Commission has regularly increased tolls to meet its funding obligations including in:

- Every year from 1995 - 1999
- January 2007
- October 2009
- January 2012

In July 2013, the Commission adopted a 10-year schedule of toll increases to fund its new obligations:

- Toll rates will be increased 2.7% on January 1 of each year from 2014 through 2023.
- Toll rates for *E-ZPass*® trips of less than 30 miles will be frozen for class 1 vehicles through 2023.
  - In 2012, these trips represented only 4.4% of total VMT and 2.1% of total pledged revenues.
- Toll rates are rounded to the nearest quarter, therefore, even though the toll rate per mile has increased "every year," many trips will not see an increase every year.

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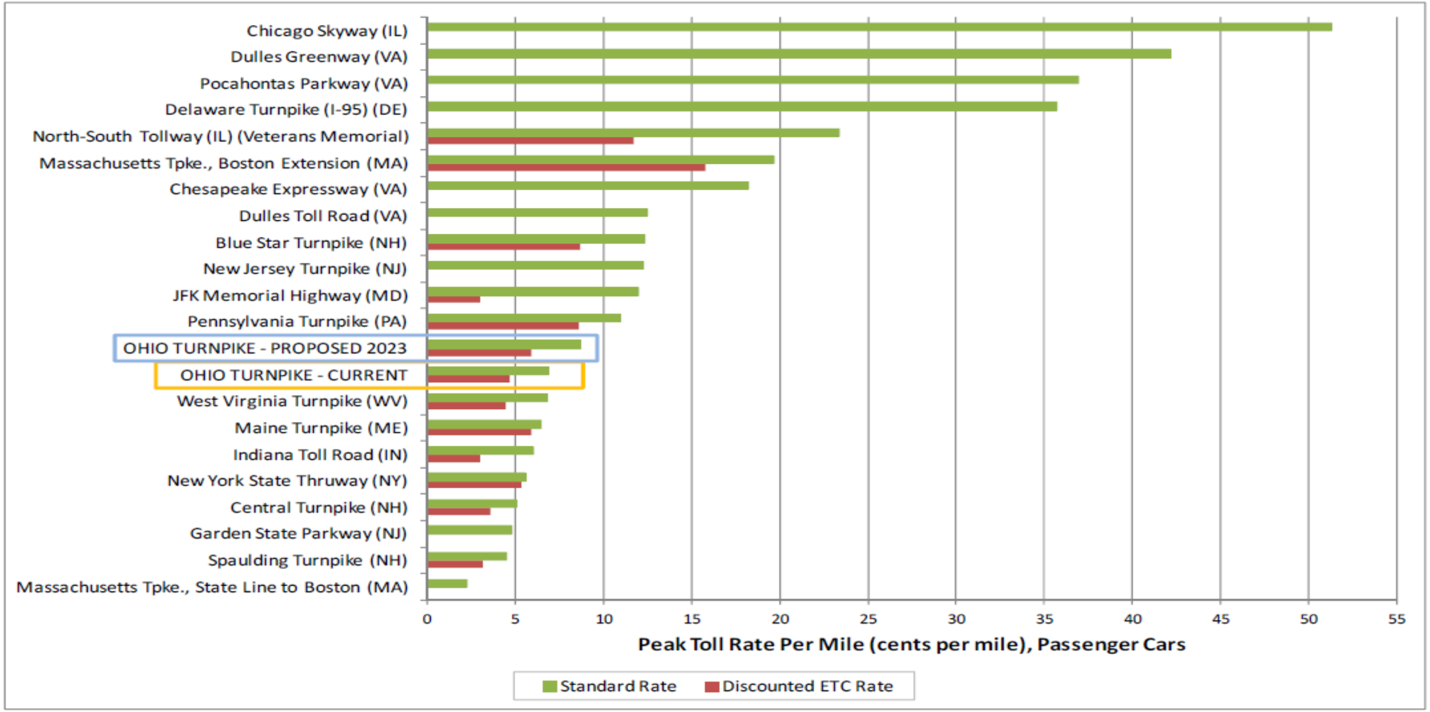
OTIC's Auto Toll Rates Are Low Versus Its Peers

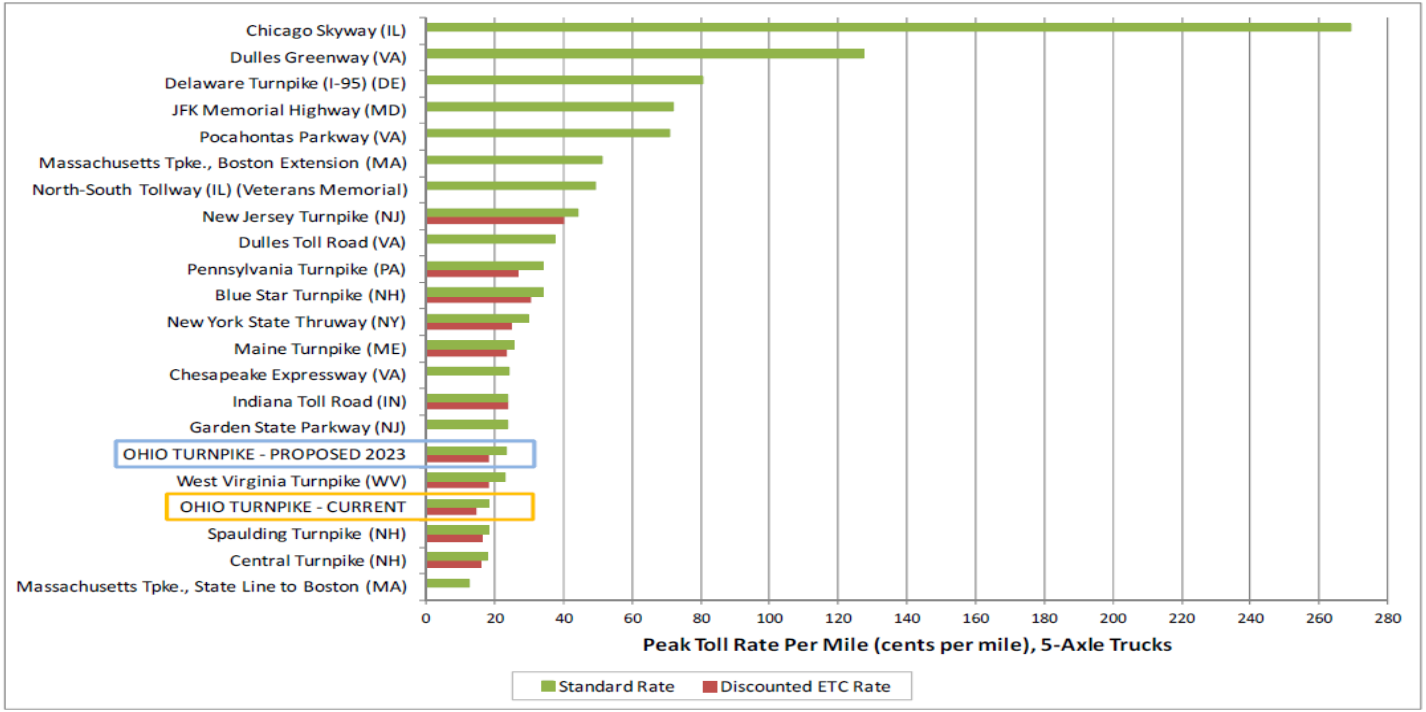
The Turnpike's adopted 2014 toll rates are low compared to its peers and forecasted to remain low even after ten years of 2.7% annual increases.



Toll Rates as of May 2013

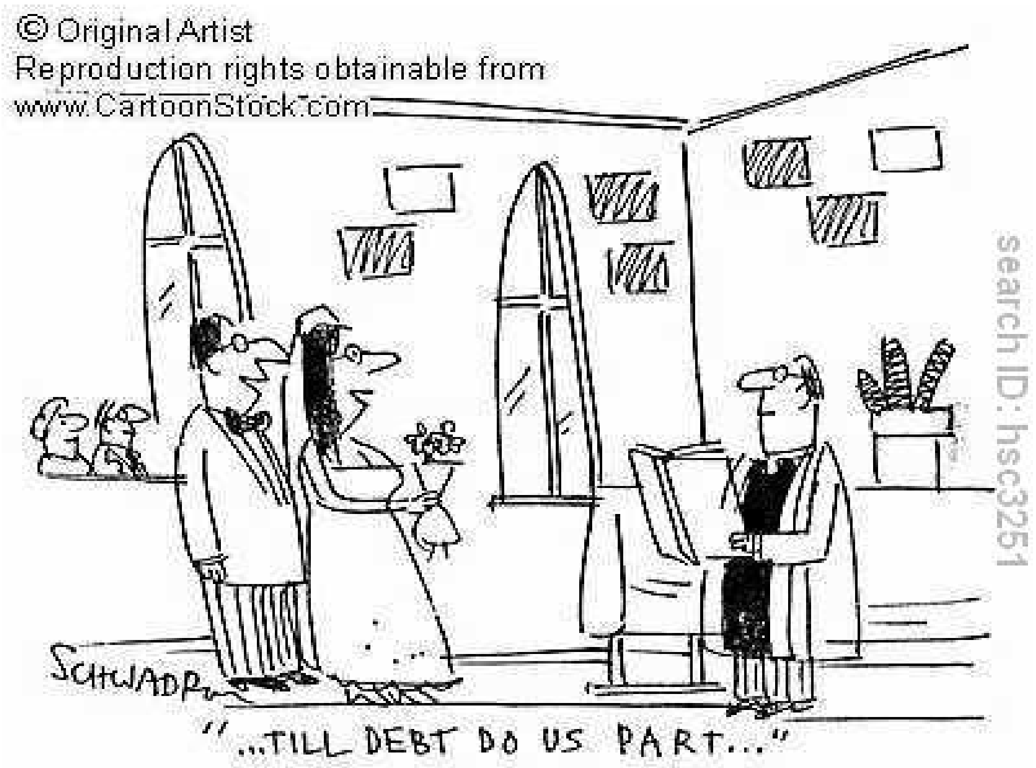
OTIC's Commercial Toll Rates Are Also Low Versus Its Peers

The Turnpike's adopted 2014 toll rates are low compared to its peers and forecasted to remain low even after ten years of 2.7% annual increases.



Toll Rates as of May 2013

The Commission Will Manage the Debt Service and Still Take Care of Its Operation and Maintenance Functions



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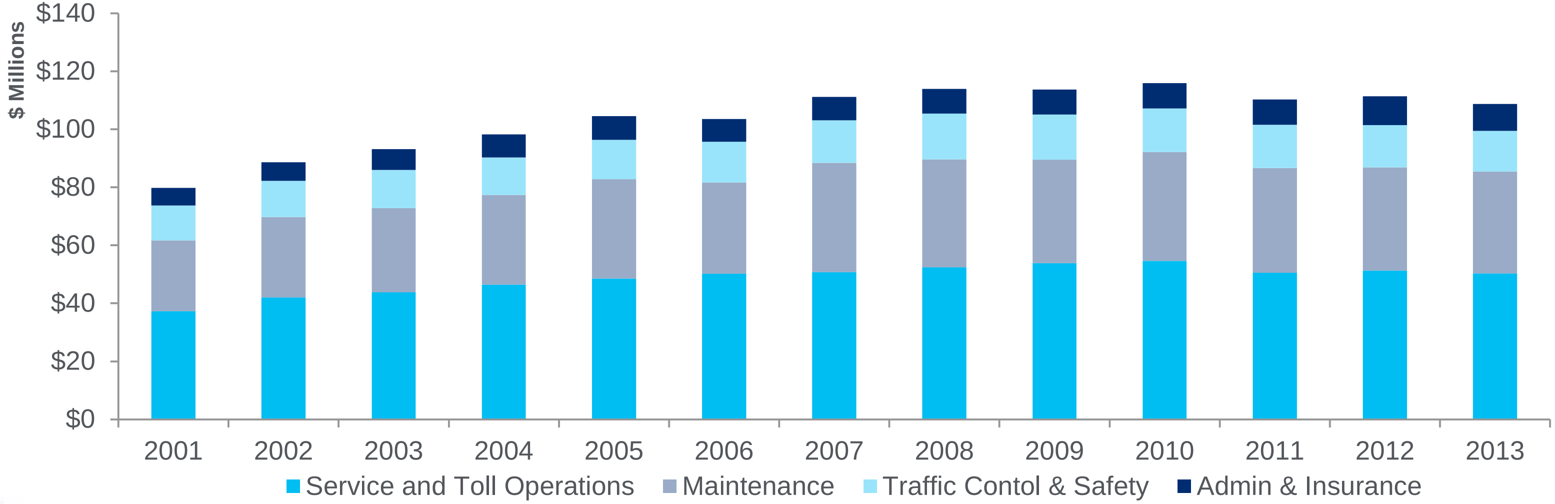
O&M Expenses Have Decreased Recently

- Toll operations costs have decreased by 10.6% since 2010 due primarily to the decrease in toll collectors' wages as a result of increased use of *E-ZPass®* and automated toll payment machines.
- From 2009 through 2013, the Commission decreased full and part-time employment by approximately 17%, from 1,165 to 965 employees.
- These decreases have been partially offset by the increased cost of road salt due to the harsh 2013/14 winter.

Historical O&M Expense Costs



OTIC's Capital Program

The Commission is committed to maintaining the excellent condition of the Turnpike System.

Recent CapEx History and Highlights

- Third lane expansion of 160 miles between MP 59 and MP 218 (1996-2014) $725 million
- Service Plaza Reconstruction (1994-2013) $200 million
- *E-ZPass®* Toll Collection System (2008-2009) $50 million
- Pavement Replacement – approximately 75 lane miles complete at the end of 2014 (2011-2037) $100 million

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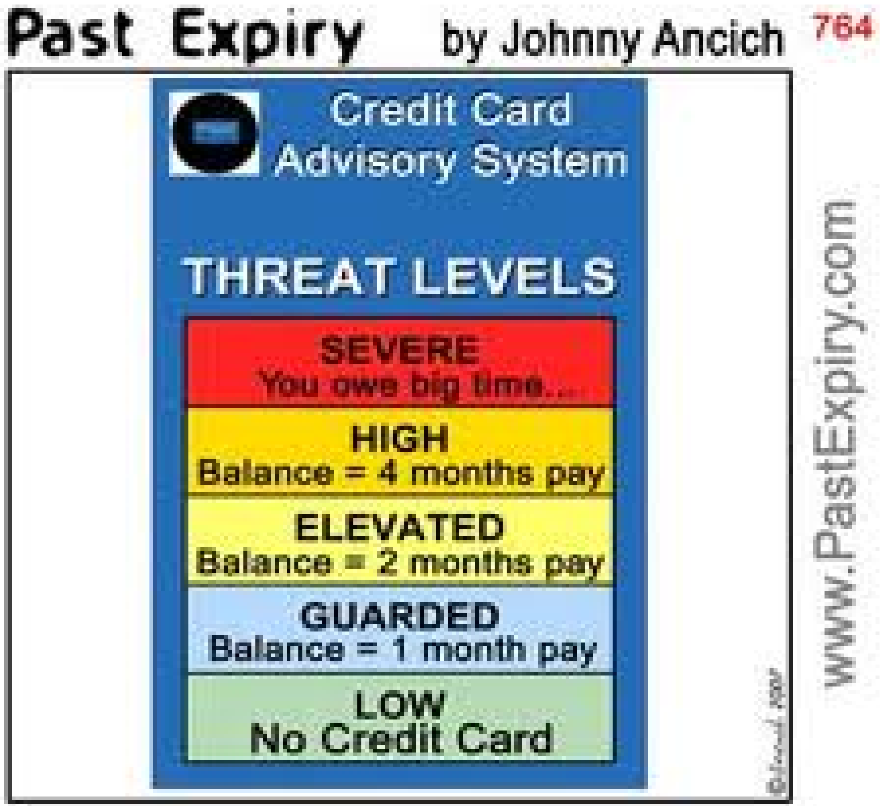
Future Capital Program (to be funded 97% on a PayGo basis)

- URS, as the Commission's GEC, performs annual inspections for all Commission assets. From URS' "condition assessment report," a detailed Capital Improvement Plan was developed and will be maintained on an annual basis.
- The Turnpike's capital expenditures largely support three major initiatives: Base Pavement Replacement, Resurfacing & Repaving, as well as Bridge Rehabilitation/ Reconstruction.
- Over the course of 35 years, there is a 10% shift in the CapEx budget from Pavement Replacement to the Third Lane Reconstruction project, starting in year 2038.

Debt Management Covenants and Policies



Flow of Funds Provide Strong Bondholder Protections

The Senior Lien Master Trust Indenture contemplated and was structured to accommodate Junior Lien Obligations. The Junior Lien Master Indenture fits into the Senior Master Indenture's framework.

- Revenue Fund – Gross Revenue Account
- Expense Fund
- Senior Lien Debt Service Fund
- Senior Lien Debt Service Reserve Account
- Junior Lien Debt Service Fund
- Junior Lien Debt Service Reserve Account
- Renewal and Replacement Fund
- System Projects Fund Construction Account
- General Reserve Fund

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Additional Bonds Test

Senior Lien

Maintains 1.50x Historical ABT:

- The Commission may issue additional bonds if it is current in all deposits into the various funds and reserves, meets the Rate Covenant and if the amount of System Pledged Revenues during the immediately preceding Fiscal Year or any 12 of 15 consecutive months are equal to **1.50x Maximum Annual Debt Service** including proposed additional bonds.

Junior Lien

Established 1.50x Projected ABT:

- The Commission may issue additional bonds if it is current in all deposits into the various funds and reserves, meets the Rate Covenant and if the amount of System Pledged Revenues is forecasted to be at least **1.50x Composite Annual Debt Service** in the then fiscal year and all future fiscal years while bonds are outstanding.

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Toll Rate Covenant and Reserves

Rate Covenant: The Commission covenants to "charge and collect or cause to be charged and collect tolls" so that the sum of System Pledged Revenues in each fiscal year is equal to at least:

- 1.20x Annual Debt Service on both Senior Lien and Junior Lien Bonds.
- Toll Rate Covenant also includes a 1.00x Gross Revenue requirement on all obligations.

Debt Service Reserve Account: Junior Lien includes a cash funded Debt Service Reserve equal to 100% of Average Annual Debt Service.

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New Debt Management Policies Were Adopted on July 15, 2013

To underscore the Commission's commitment to remain fiscally conservative, the Commission adopted a formal 2.0x Senior Lien Debt Service Coverage Policy and a formal Liquidity Policy to ensure that it always has enough cash on hand to sufficiently cover any extraordinary event.

Debt Service Coverage Policy: The Commission has committed to budget each year to a minimum of **2.0x coverage** on its Senior Lien obligations.

Liquidity Policy: The Commission has committed to maintain a minimum of **365 days cash** on hand divided among the following reserves, all of which can be used to cover debt service in the event of a shortfall. Over the past five years, the Commission has had an average of 450 days cash on hand:

- General Reserve Fund (includes Expense Reserve);
- Non-Trust Fund;
- Service Plaza Capital Improvement Fund;
- Fuel Tax Fund;
- System Projects Fund; and
- Renewal and Replacement Fund.

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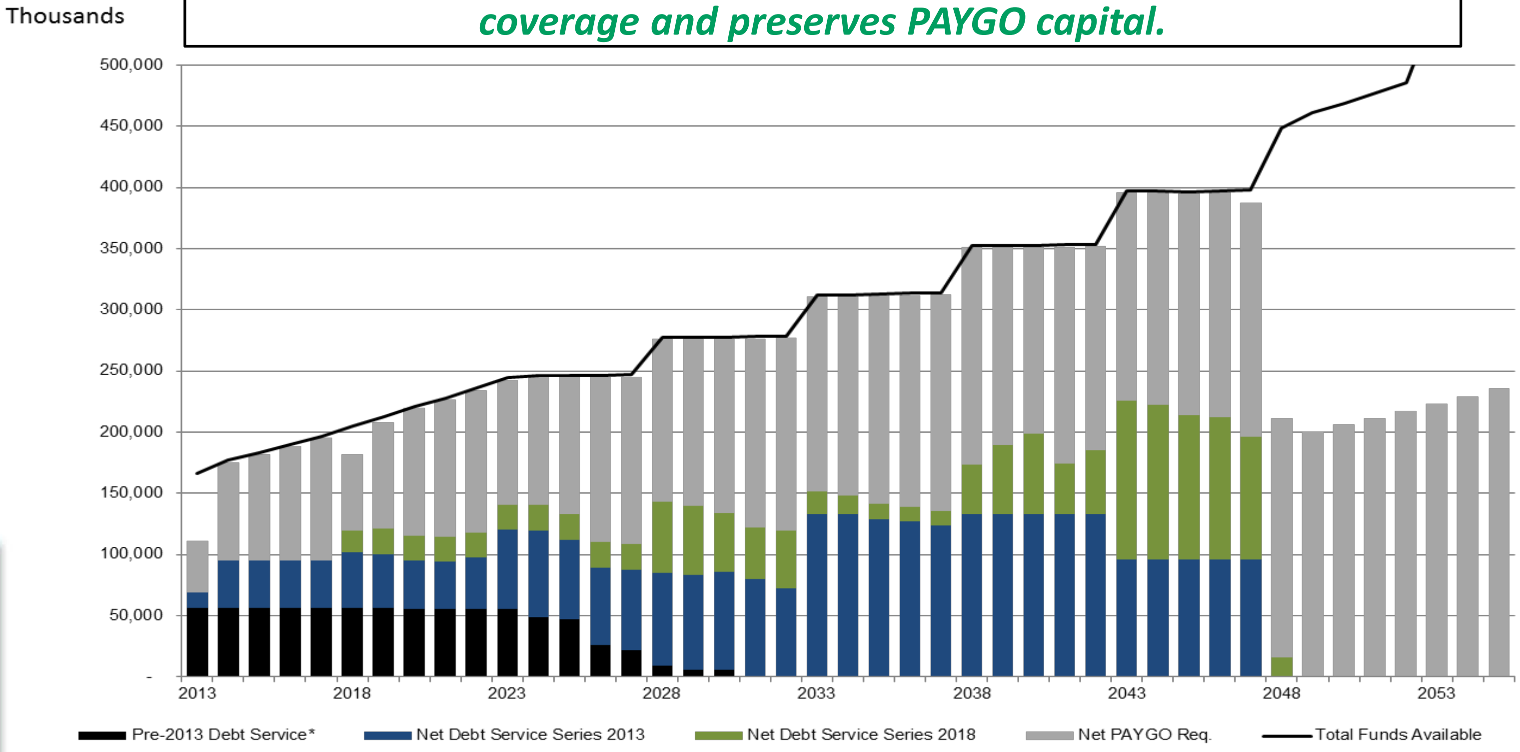
Composite Debt Service Profile and Uses of Funds

The Commission's debt structure generates significant debt service coverage and preserves PAYGO capital.



Pro Forma Income Statement – 2013-2023

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross Revenues [1]:										
Total Toll Revenue:	**252,900**	**260,400**	**268,600**	**277,300**	**286,500**	**295,900**	**305,400**	**315,300**	**325,700**	**336,000**
Total Other Revnenue	**20,650**	**23,903**	**24,273**	**24,887**	**25,252**	**27,221**	**28,596**	**30,231**	**31,063**	**31,980**
Total Gross Revenues [1]	**273,550**	**284,303**	**292,873**	**302,187**	**311,752**	**323,121**	**333,996**	**345,531**	**356,763**	**367,980**
Gross Operating Expenses Paid from Pledged Revenues [1]	**109,300**	**109,000**	**111,800**	**114,600**	**117,200**	**120,400**	**123,600**	**127,000**	**131,000**	**134,500**
Net Revenues Available for D/S	**164,250**	**175,303**	**181,073**	**187,587**	**194,552**	**202,721**	**210,396**	**218,531**	**225,763**	**233,480**
Senior Debt Service Requirement [2]:										
Existing Debt Service Requirement	56,169	56,214	56,211	56,219	56,233	56,220	56,219	55,925	55,863	55,905
Series 2013 Senior Debt Service Requirement	1,230	3,689	3,689	3,689	3,689	3,689	3,689	3,689	3,689	3,689
Series 2018 Senior Debt Service Requirement	0	0	0	0	0	2,330	2,796	2,796	2,796	2,796
Total Gross Senior Debt Service Requirement	**57,399**	**59,903**	**59,900**	**59,908**	**59,922**	**62,239**	**62,703**	**62,410**	**62,348**	**62,390**
Less Total Senior DSRF Earnings [3]	-	419	419	419	419	335	250	250	250	250
Net Senior Debt Service Requirement	**57,399**	**59,483**	**59,480**	**59,489**	**59,503**	**61,904**	**62,454**	**62,160**	**62,098**	**62,140**
Junior Debt Service Requirement [4]:										
Series 2013 Junior Debt Service Requirement	11,247	33,742	33,742	33,742	33,742	37,163	37,305	33,995	33,354	33,354
Series 2018 Junior Debt Service Requirement	-	-	-	-	-	20,988	25,186	25,186	25,186	25,186
Total Gross Junior Debt Service Requirement	**11,247**	**33,742**	**33,742**	**33,742**	**33,742**	**58,151**	**62,491**	**59,180**	**58,540**	**58,540**
Less Total Junior DSRF Earnings [4]	-	640	640	640	536	712	992	992	992	992
Net Junior Debt Service Requirement	**11,247**	**33,102**	**33,102**	**33,102**	**33,206**	**57,439**	**61,499**	**58,188**	**57,548**	**57,548**
Net Composite Debt Service Requirement	**68,646**	**92,585**	**92,582**	**92,591**	**92,709**	**119,343**	**123,953**	**120,348**	**119,646**	**119,688**
Senior Lien Debt Service Coverage	**2.86x**	**2.95x**	**3.04x**	**3.15x**	**3.27x**	**3.27x**	**3.37x**	**3.52x**	**3.64x**	**3.76x**
Composite Debt Service Coverage	**2.39x**	**1.89x**	**1.96x**	**2.03x**	**2.10x**	**1.70x**	**1.70x**	**1.82x**	**1.89x**	**1.95x**

Source: Ohio Turnpike and Infastructure Commission

(1) Revenues and expenses are projected by Jacobs Engineering Group except Pledged Funds Investment Income.
(2) Assumes 2013 par amount of $73.8 million at an all-in-interest cost of 4.96% and 2018 par amount of $55.9 million at an all in interest cost of 5.38% primarily for Turnpike related projects.
(3) Assumed 0.70% on Debt Service Reserve Fund balance.
(4) Assumes 2013 par amount of $1.034 billion at an all-in-interest cost of 5.68% and 2018 par amount of $553.2 million at an all in interest cost of 5.93% primarily for Infastructure related projects.

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Critical in Going to Market Was the Receipt of Favorable Bond Ratings

Rating Agency	*Senior Lien*	*Junior Lien*
Moody's Investors Service	**Aa3**	**A1**
Standard & Poor's	**AA-**	**A+**
Fitch Ratings	**AA**	**A+**

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Series 2013 Transaction Overview

	Senior Lien	*Junior Lien*
Issue:	Turnpike Revenue Bonds 2013 Series A	Turnpike Junior Lien Revenue Bonds 2013 Series A (Infrastructure Projects)
Par Amount:	$73,495,000	$994,812,816
Proceeds Generated	$70,000,000	$930,000,000
Projects Funded:	Turnpike System Projects	Infrastructure Projects
Bond Types:	CIBs	CIBs, CABs and Convertible CABs

On July 30, 2013, the Commission received orders for six times the amount of bonds offered and, as a result, was able to reduce interest rates on certain maturities.

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Infrastructure Funding Applications

- During the summer of 2013, the Commission promulgated the Rule required by HB 51 under which it would determine whether infrastructure funding requests from ODOT possess the required transportation related ***"nexus"*** with and relationship to the Turnpike.

- The Rule requires the ODOT Director to submit Infrastructure Project Funding Applications to the Commission only for projects previously approved by Ohio's Transportation Review Advisory Council (TRAC).

- After the bond sale in 2013, The Commission received 12 applications from ODOT. These were scored by Commission staff to ensure that they met the nexus requirements. The Commission approved 10 of the 12 applications, but determined that two of the project funding requests did not have sufficient nexus to the Ohio Turnpike. The decisions of the Commission in this regard are final and incontestable.

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Infrastructure Project Locations

A funding Agreement for each project was entered into between the Commission and ODOT. Each Agreement is subject to a five-year spend-down requirement to avoid any of the negative tax consequences that could come if bond proceeds are not timely spent in accordance with IRS requirements.

Infrastructure Projects Approved in 2013

County	Project	Amount
Hancock/Wood	I-75 Widening	$ 270,980,000
Lucas	I-75 Widening	20,000,000
Lucas	I-75 / I-475 Interchange Modification	163,000,000
Lucas	I-475/SR 20 Interchange	10,000,000
Lorain	SR 57 Widening	16,000,000
Erie	US 250 Widening	12,900,000
Cuyahoga	Innerbelt Bridge Replacement	273,120,000
Cuyahoga	Opportunity Corridor	39,000,000
Summit	I-271 Widening	60,000,000
Mahoning/Trumbull	I-80 Widening	65,000,000
		$ 930,000,000

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THANK YOU