

LSC Redbook

Ohio Turnpike Commission

Jason Phillips, Senior Budget Analyst
Legislative Service Commission

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Ohio Turnpike Commission

- Total CY 2011 revenue estimated at \$251.8 million
- \$85.3 million capital budget for new projects in CY 2011
- Second round of toll rate changes planned to go into effect January 1, 2012

OVERVIEW

The Ohio Turnpike is a publicly built east-west tolled expressway spanning northern Ohio. The Ohio Turnpike was built during the 1950s by the Ohio Turnpike Commission (OTC), which continues to own and operate it. The Commission contracts with the Ohio State Highway Patrol (District 10) to provide law enforcement and motorist assistance along the Ohio Turnpike. As of December 2010, OTC had 823 full-time employees and 264 part-time employees.

OTC is not a state agency and is not appropriated money from any state funds included within the transportation or main operating budgets. However, OTC is required to submit its proposed budget to the Office of Budget and Management, the General Assembly, and the Legislative Service Commission under section 5537.17 of the Revised Code. The following overview presents information that legislators may find helpful in reviewing the Turnpike's operations.

E-Z Pass and New Toll Rate Structure

The E-Z Pass electronic toll collection system became operational on the Ohio Turnpike on October 1, 2009. The cost of the new toll collection system, related equipment, and construction expenses is expected to total \$49.3 million once all contracts are closed. In conjunction with the conversion to E-Z Pass, OTC also adopted a new toll rate structure. Tolls are now based on (1) the number of axles a vehicle has, (2) the height over the first two axles, and (3) distance traveled. Under the former system, tolls were based only on gross weight and distance traveled. As a result of the new rate structure, the number of vehicle classes decreased from 11 to seven.

Together, the implementation of E-Z Pass and the new toll rate structure has boosted toll revenues. In the 12-month period after the new tolls went into effect, toll revenues increased by 31.0% compared to the same period a year earlier. Combined with budget reductions and other cost savings measures, improving toll revenues have allowed OTC to proceed with needed capital projects. As part of the toll rate restructuring plan, OTC is scheduled to implement another round of toll rate increases on January 1, 2012 with toll rates increasing anywhere from 9% to 11% or so.

Cost Savings Measures

Refunding Bonds Issued

OTC issued a total of \$268.5 million in refunding bonds over 2009 and 2010 in order to refinance outstanding bonds and cut interest costs. Overall, these issuances will result in interest cost savings of about \$18.0 million over the life of the debt. As of December 2010, OTC had \$610.8 million in outstanding principal bond debt and \$309.2 million in scheduled future interest payments, for a total debt of \$920 million.

Voluntary Separation Incentive Plan

With the advent of E-Z Pass on the Turnpike, not as many people were needed to collect tolls. When expected attrition in toll collection staff did not materialize during 2008 and 2009, OTC responded by offering a voluntary separation incentive plan to full-time and part-time toll collectors from November 2009 to March 2010. In exchange for leaving OTC employment, full-time toll collectors were provided a one-time payment of \$35,000 and part-time toll collectors were provided \$5,000 to \$15,000 depending on length of service. Over the course of the program, 47 full-time and 79 part-time toll collectors took the separation incentive, which resulted in total payouts of \$2.5 million. The up-front cost of this initiative was quickly recouped in payroll savings. The annual wage and fringe benefit costs for these employees would otherwise have been \$4.7 million.

Other Operating Expense Savings

In addition to the cost savings measures described above, the Commission realized savings of about \$3.2 million in calendar year (CY) 2009 by, among other actions, eliminating salary increases for nonunion personnel and instituting a hiring freeze for nonessential personnel. Also, favorable weather conditions lowered labor costs and permitted the Commission to reduce the quantity of materials used to melt snow.

Speed Limit Increase to 70 Miles Per Hour

On December 20, 2010, OTC adopted Resolution 48-2010, which authorizes a uniform speed limit of 70 miles per hour for all vehicles along the entire length of the Ohio Turnpike. The current speed limit for cars and trucks on the Ohio Turnpike is 65 miles per hour. The change, which becomes effective April 1, 2011, is intended to encourage more vehicle traffic, including commercial vehicles, on the Ohio Turnpike, thereby reducing congestion and improving safety on parallel routes.

Highlights of the Turnpike Capital Program

As noted above, OTC's increased toll revenue and cost containment measures will enable a higher level of sustained capital spending in order to complete planned

capital projects. Major capital projects for CY 2011 include third lane construction, replacement of the original concrete pavement, service plaza renovations, and annual roadway resurfacing. These projects are discussed in more detail below. Overall, the Commission has approved \$85.3 million in new capital spending for CY 2011. The CY 2011 capital spending plan for new projects represents a decrease of \$4.2 million or 4.7% compared to the approved CY 2010 plan of \$89.5 million. Other capital projects include bridge repair and repainting, correction of slope failures, roadway lighting, replacement of maintenance vehicles and equipment, and engineering and design work.

Third Lane Project

For CYs 2011 and 2012, OTC is budgeting \$34 million to resume construction of a third lane along 7.3 miles of the Ohio Turnpike in Summit County. OTC projects \$14 million of this amount will be spent this calendar year and \$20 million will be spent in CY 2012. Of the 160 miles included in OTC's third lane construction project, 148 miles have been completed. The last remaining segment to be widened will be a 4.6 mile section in Lucas and Wood counties.

Concrete Base Replacement

The Turnpike's CY 2011 budget provides the funding for the beginning of a long-term project to replace deteriorating sections of the original concrete base of the Turnpike. In the budget, 5.3 miles of the original base in Sandusky County are scheduled for replacement at a budgeted cost of \$14 million. Overall, OTC estimates that the entire project is likely to cost around \$1 million per lane mile, or a total of \$964 million in present value dollars. Currently, the Commission plans to fund this project entirely with toll revenues.

Service Plaza Reconstruction

Also on tap for CY 2011 and CY 2012 is the reconstruction of the Mahoning Valley/Glacier Hills service plazas in Mahoning County. Overall, \$31 million is slated for this project, with \$17 million of that total to be spent during CY 2011. During CY 2010, construction began on the new Indian Meadow/Tiffin River service plazas in Williams County. The Williams County service plazas are scheduled to open in July 2011. Once all of this work has been completed, only one of the original set of service plazas, located in Lucas County, will remain. Though there are plans to close those service plazas in late 2011, plans regarding their reconstruction have yet to be developed.

Roadway Resurfacing

For CY 2011, OTC plans \$22.5 million in roadway resurfacing work covering 28.7 miles over three separate segments. Resumption of OTC's annual resurfacing program began in CY 2010 after having been deferred for several years due to insufficient funding.

CY 2011 Budget

OTC's annual operating budget for CY 2011 was adopted on December 20, 2010, under Resolution 49-2010. Accompanying the operating budget, the Commission also approved the Turnpike's CY 2011 capital projects budget, under Resolution 50-2010. Table 2 displays the actual or budgeted amounts for the past three operating budgets, not including depreciation. The table illustrates the increases in toll revenue brought about by the changes to OTC's toll rate structure in CY 2009. Net operating profits are used to finance OTC's capital improvements program.

OTC Operating Budget, CY 2009-CY 2011				
	CY 2009 Actual	CY 2010 Actual	CY 2011 Adopted	% CY 2010- CY 2011
Revenue Sources				
Tolls	\$187.3	\$232.2	\$232.6	0.2%
Concessions	\$13.6	\$13.7	\$14.0	2.7%
Fuel Tax Allocation	\$2.2	\$2.2	\$2.1	(6.3%)
Investment Earnings	\$1.2	\$1.3	\$1.1	(12.5%)
Other	\$5.0	\$5.9	\$2.0	(65.9%)
Total Revenues	\$209.3	\$255.2	\$251.8	(1.3%)
Operating Expenditures				
Services and Toll Operations	\$53.8	\$54.6	\$53.4	(2.2%)
Roadway and Structure Maintenance	\$35.7	\$37.6	\$40.6	8.1%
Traffic Control, Safety, Patrol, and Comm.	\$15.5	\$15.0	\$15.8	5.6%
Administration and Insurance	\$8.6	\$8.7	\$10.4	19.6%
Debt Service Payments	\$49.1	\$49.5	\$53.3	7.7%
Total Operating Expenditures	\$162.8	\$165.4	\$173.6	5.0%
Net Operating Profit	\$46.5	\$89.8	\$78.2	12.9%

Note: Individual amounts may not add to totals due to rounding.

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