

**MINUTES OF THE OHIO RAIL DEVELOPMENT COMMISSION
REGULAR BI-MONTHLY MEETING
JULY 20, 2006**

CALL TO ORDER AND ROLL CALL

The meeting of the Ohio Rail Development Commission was called to order by Chairman James Betts at 10:13 a.m. Members present included: Tom McOwen, Herk Wolfe, Solomon Jackson, Dan Roberts, Howard Wood, Representative Allan Sayre and Chairman Betts. Members absent included: Barbara Bennett, Larry Sowers, Jim Hartung, Eric Neff, Senators Mumper and Hagan and Representative Stephen Buehrer.

APPROVAL OF THE MINUTES OF THE MAY MEETING

Chairman Betts asked for a motion to approve the minutes of the May 4, 2006 Commission meeting. Commissioner McOwen moved to approve the minutes and Commissioner Wolfe seconded the motion. The minutes were approved as presented.

EXECUTIVE DIRECTOR'S REPORT

Director Seney spoke about the current project at Honda (Rail Yard Expansion-Resolution 06-09 on the agenda) and indicated it was an excellent project for the State of Ohio. He reported this project was time sensitive and required action by the commission at this meeting.

Director Seney then spoke about the Ohio Hub workshop held on June 14 at the Holiday Inn in Worthington. He announced over 80 participants had registered. Director Seney reported that the speakers were excellent and he was very pleased at the outcome. He also indicated that the Rail Commission would host an additional two or three more workshops over the coming months.

Commissioner McOwen inquired about the decision by Honda to locate the new plant in Indiana rather than Ohio. Director Seney responded that the public reason provided was the new plant in our state could have created competition among their supplier workforce; a chance Honda was not willing to take. Director Seney offered to discuss this issue further with Commissioner McOwen after the meeting.

Commissioner Jackson inquired about the status of the FutureGen project. Director Seney responded that a decision regarding the finalist states for this project is due to come next. He indicated that FutureGen is a federal project to construct a zero-base electrical generation plant with no emissions. Director Seney reported the state had done an impressive job over the past eight months in preparing an aggressive package to bid on this project. The two Ohio site locations in Ohio are in Tuscarwaras and Meigs Counties.

Chairman Betts inquired about the streetcar plan for Columbus. Director Seney reported this project is designed to serve a limited group of neighborhoods into the downtown area. Director Seney indicated he had discussed his viewpoints on the streetcar plan with those involved and reported that this project has a few problems with regard to space issues but has great value to the Ohio Hub plan and the potential connections that could be made in joining these two efforts.

FINANCE REPORT

Matthew Dietrich presented the Finance Report to the commissioners. Mr. Dietrich reported that this is a new fiscal year effective July 1, 2006. He reviewed the personal services contracts that are in process (page 14 of the packet). These proposed contracts total \$57,867 for this year.

Mr. Dietrich spoke about a situation with a lease on Ohio Southern property. The Ohio Southern line was sold to the Ohio Central Railroad. In the process of transferring the property to the Ohio Central, it was determined that Swinehart Insurance has a lease for the land that their privately-owned building sits on with right of first refusal. Swinehart Insurance has requested they be allowed to exercise their right. ORDC is working with ODOT to attempt to resolve this so ORDC and the Ohio Central can complete the property transfer.

Mr. Dietrich directed the commissioners to review page 13 of the packet. This page outlines the total budget for ORDC for Fiscal Year '07. Mr. Dietrich reported this is what was submitted to OBM for approval.

Commissioner Jackson asked how Mr. Dietrich would determine the success of the loan program, based upon the activity outlined on page 16 of the commission packet. Mr. Dietrich responded by saying that overall the program has been successful. He indicated that factors such as the economy and private-sector financing mechanisms have had a direct impact on the success and sometimes failure of the program.

JOBS & CARLOADS REPORT

Ms. Beverly Lee presented the Jobs & Carloads Report to the commissioners. Ms. Lee reported that 16 projects are indicated in the report and overall all have been in compliance (see page 17 of the commission packet). Staff was asked a few years ago to chart ranges of grant levels to carload commitment levels in order to provide a guideline for companies making the commitments to allow for those companies to meet their pledges and be in compliance with ORDC. Ms. Lee reported that this seems to have helped with any compliance issues.

Commissioner Jackson inquired about the failure of US Rail Corporation to meet their commitment as reported. Ms. Lee reported that she has been in contact with the company and reported that US Rail is still committed to reaching their job creation and carloadings pledge before the project completion date.

Commissioner Jackson asked if ORDC plans to exercise clawback provisions with McDermott Industries who, according to the report, is currently not using rail. Mr. Lou Jannazo, ORDC's Chief of Project Development, responded by indicating that the non-use of rail by the company is beyond their control. The rail line has not been abandoned but remains in a state of limbo until some decisions by Norfolk Southern, the owner of the line, are made. Mr. Jannazo asked that the commission not push for any clawback action rather wait for a few more years to see what may come of this line. Discussion followed with a decision being made to change the explanation on the report of why the company is short in meeting their commitment to "rail is not available," rather than "rail is not cost-effective or efficient."

PROJECTS

Honda Rail Yard Expansion (Resolution 06-09) – Matthew Dietrich

Mr. Dietrich reported that CSX and Honda have asked ORDC to re-examine the current ownership issues at the rail yard at the Marysville facility. Mr. Dietrich directed the commissioners to page 21 of the packet; a map identifying what would need to be done to accommodate the proposed expansion. Honda is requesting that clear ownership of the property be provided to allow them the ability to move forward with their proposed expansion project. The state currently owns the rail infrastructure on the Honda property that Honda is requiring for the project. This has become an impediment to their plans. Honda has asked CSX and ORDC to assist them in streamlining the ownership of the property so that Honda can better respond to future needs of business through expansions or reconfigurations of the yard. To do this, staff is recommending that the commission allow them to amend the existing lease agreement with CSX,

terminate the ORDC easement agreements with Honda, transfer all ORDC ownership interest in the rail infrastructure over to Honda, and authorize the Executive Director to execute any and all additional documents necessary to complete this request.

Mr. Dietrich introduced Mr. Barry McClelland, Senior Manager, Company Facilities and Environmental for Honda, who was available to answer any questions for the commissioners. Mr. McClelland thanked the commission for its consideration of this project and echoed Mr. Dietrich's report of the proposed project. Mr. McClelland indicated that improvements to the yard will be made through August of 2008. He reported that these improvements are critical and if they are not made on time, Honda will have trouble getting the new product (new model car) off the line and out to its new customers. Discussion followed.

Chairman Betts asked for a motion to approve resolution 06-09. Commissioner Wolfe moved to approve the resolution and Commissioner Jackson seconded. Roll call was taken with six votes in the affirmative. The resolution is approved.

Panhandle RRIF Application (Resolution 06-10) – Matthew Dietrich

Mr. Dietrich reported ORDC is proposing to purchase the Panhandle Rail Line from CAPRAIL 1 using Federal Railroad Administration's (FRA's) Railroad Rehabilitation and Improvement Financing Program. In doing so, the existing 1992 bond issuance will be paid down eliminating the need for CAPRAIL 1 because it will be replaced with long term, fixed rate financing from the FRA.

Mr. Dietrich stated that ORDC has been discussing opportunities to utilize the RRIF loan program over the past several years. He has looked at several ways to accomplish a savings and indicated he feels the RRIF Loan is the most effective way to do this. The project benefits are the cost savings in the short term (the elimination of the need to hold \$764,400 in the 4N4 account and approximately \$2.5 million through 2012). The savings can then be reinvested in projects. A proposed closing date of November 1, 2006 was utilized in calculating the figures. Discussion followed with Megan Browning of Seasongood & Mayer present to answer questions of the commissioners.

This resolution will authorize ORDC to borrow money from the FRA's RRIF Loan Program to payoff the Panhandle Rail Line project Series 1992 Certificates of Participation and acquire the Panhandle Rail Line under Chapter 4981 of the Ohio Revised Code. Chairman Betts asked for a motion to approve resolution 06-10. Commissioner Wolfe moved to approve the resolution and Commissioner McOwen seconded. Roll call was taken with six votes in the affirmative. The resolution is approved.

Note: Chairman Betts asked to deviate from the schedule slightly and discuss the BSE Report on the Panhandle Valuation under the "Old Business" portion of the agenda.

OLD BUSINESS

BSE Report on Panhandle Valuation – Jim Seney

Director Seney spoke on the valuation report for the Panhandle Rail Line. He indicated that since the Commission voted to keep the Panhandle as a state asset, it then became necessary to evaluate how best to take care of the issues along the line such as bridges and tunnels that are in need of repair in order to preserve this asset. BSE Partners, LLC was contracted by ORDC to determine the Panhandle Line's value. Director Seney indicated it was critical to identify the value of the line to determine what was appropriate to charge its operators. Director Seney introduced Brad Eldridge of BSE Partners who conducted the investigation and prepared the final report for ORDC.

Mr. Eldridge introduced himself to the commissioners. Mr. Eldridge indicated his conclusion was the lease was worth \$799,000 per year over a 25 year period. He reported factors such as the economy, the state of the railroad industry in the Ohio and the country and a current appraisal were all used to determine the line's value to establish fair market value of a lease. Discussion followed.

PROJECT

ARC Grant Sponsorship for Buckingham Coal (Resolution 06-11) – Matthew Dietrich

Note: Commissioner Jackson recused himself from discussion and vote on Resolution 06-11.

Mr. Dietrich reported that the Federal Appalachian Regional Commission (ARC) and Buckingham Coal Company have requested ORDC become the public sponsor and grant recipient of a \$500,000 grant for the construction of rail infrastructure necessary to connect Buckingham property and Norfolk Southern's Columbus to Charleston, West Virginia's "West Virginia Secondary Line." In order to utilize federal funds, ARC is required to work through other federal agencies for the administration of construction funding. Because of ORDC's role in administering federal highway safety funds, ORDC was asked to become the public sponsor for this project. ORDC will be responsible for ensuring the proper expenditure of the federal funds. Although these funds are subject to an 80/20 local match requirement, ORDC will not expend anything additional on this project. In May 2005, ORDC approved a \$200,000 grant to assist Buckingham Coal in offsetting approximately \$4 million in infrastructure costs for the new mine located in Perry County. ORDC's total contribution will be limited to the existing grant and those funds available through ARC. Mr. Dietrich reported that an additional element of this project is the possibility of state ownership of this project. He indicated that when the project was initially proposed, Ohio Central was identified as the owner. Buckingham Coal, NS and the Ohio Central recently informed ORDC that the Ohio Central might no longer own the crossing and connecting track. Buckingham Coal requested that ORDC consider ownership of the asset. Chairman Betts inquired about what would happen that would determine whether or not the state would assume ownership. Mr. Dietrich introduced Mr. Ron Bird, Vice President – Business / Marketing, of Buckingham Coal to answer Chairman Betts' question. Mr. Bird indicated state ownership is the last piece of the puzzle necessary to complete negotiations on this project. Mr. Bird feels this will speed up the process and reported that Buckingham Coal is in complete agreement of the state owning the asset.

Chairman Betts asked for a motion to approve Resolution 06-11. Commissioner Roberts moved to approve the resolution and Commissioner Wood seconded. Roll call was taken with five votes in the affirmative, one recused. The resolution is approved.

Motion Ohi-Rail – Lou Jannazo

Mr. Jannazo reported that in May of 2000, ORDC provided Ohi-Rail with a grant of \$350,559. A condition of the grant was that Ohi-Rail would repay the grant based on increased business. Mr. Jannazo indicated that Ohi-Rail has repaid \$109,096 of the grant and is now requesting that the remaining amount, \$216,463, be forgiven and the lien that was placed on a locomotive be removed so it can be sold. Three officials from Ohi-Rail were present to answer questions; Teresa Schiappa, Owner, Richard Delatore, President, and Powell Felix, General Manager. Mr. Jannazo reported that forgiving this grant with payback provision would increase the railroad's cash flow to allow for additional investments on the tracks that Ohi-Rail operates.

A short discussion followed with Chairman Betts asking for a motion to approve a motion for Ohi-Rail Corporation. The motion reads as follows: "To release Ohi-Rail Corporation from any and all of its legal obligations specified in Grant Agreement Control #2000-20 last dated June 21,

2000 and to direct ORDC staff to execute any documentation to affect the release of such obligations.” Commissioner Roberts moved to approve the motion and Commissioner Jackson seconded the motion. Roll call was taken with six votes in the affirmative. The motion was approved.

APPROVED PROJECT BRIEFINGS

Camp Chase Railroad-Technical Amendment – Matthew Dietrich

Mr. Dietrich reported on the approved project briefing for Carload Express/Camp Chase Railroad on page 43 of the packet. Mr. Dietrich reported this is a technical modification to the previous project approved at the May meeting. Mr. Dietrich indicated Carload Express is requesting a name change for the grant portion of the assistance. Mr. Dietrich reported he had reviewed this request with legal counsel (Alan Klodell) and there are no problems with granting this request.

Southgate Company/Samuel Manu-Tech Spur – Lou Jannazo

Mr. Lou Jannazo reported that Samuel Manu-Tech requested a \$30,000 grant to assist in a 782 foot spur to serve a new manufacturing facility. Mr. Jannazo indicated the grant would be going to Southgate Corporation rather than Samuel Manu-Tech as Southgate is the entity that developed and runs the industrial. This project will create 48 new jobs and retain 54 jobs. A total of 500 rail cars per year will be generated as a result of this project moving forward. ORDC will require a minimum of 100 cars annually for the grant. Mr. Jannazo introduced several officials from Samuel-Manu-Tech, Southgate and the Port Authority who owns the land the new facility will be located on.

Mr. Jim Waterman and Mr. Chuck Foster, both of Samuel Manu-Tech, thanked the commission for its support of this important project. Commissioner Jackson inquired as to why ORDC’s participation was limited to \$30,000, given that this is such a good project. Director Seney responded that money left in the budget dictated the level of participation; that ORDC continues to look for other sources of revenue to accommodate good projects such as this one.

Cleveland Commercial Railroad Track Improvements – Lou Jannazo

Mr. Jannazo reported that on page 52 of the packet is the briefing and page 54 has a map outlining the project location. Mr. Jannazo indicated that Cleveland Commercial Railroad Company (CCR) requested a grant of \$56,510 to allow for repairs such as drainage, turnout and track improvements in CCR’s East 93rd Yard in Cleveland.

Mr. Jannazo introduced Mr. Bill Brown of CCR who was available to answer any questions. Mr. Brown thanked the commission for its assistance and indicated this grant is vital to the railroad’s continued operation. Commissioners McOwen and Wolfe both responded that they were very happy to assist with a project such as this one and wished the CCR continued success in its endeavors.

NEW BUSINESS

Panhandle Water Easement – Jim Seney

Director Seney reported on a requested Panhandle water easement for pipelines in railroad rights of way. Director Seney reported that on page 59 of the packet is a letter from Watershed Resources, Ltd. to run a waterline from Conesville to Columbus. Director Seney announced this is an informational update for the commission and that he would report additional information on this process at a later date.

New Ohio Hub Website – Don Damron

Mr. Don Damron, ORDC’s passenger rail planner, presented the new Ohio Hub website to the

commissioners. Mr. Damron reported this website was developed by Neil Motts & Associates and that the new site was unveiled at the Hub workshop last week. The plan is to have the website go “live” within the week. Mr. Damron showed the new maps that were developed which identify the routes and how they can be integrated into a national system.

Director Seney announced that ODOT’s IT department has been instrumental in this effort.

Commissioner Jackson commended Director Seney and his staff on the efforts of the Ohio Hub plan. Commissioner Wolfe and Chairman Betts echoed his comments. Commissioner Roberts commended Marie Keister and ORDC staff on the Hub workshop in Worthington.

PUBLIC COMMENT

Teresa Schiappa of Ohi-Rail thanked the commission for its assistance to her company and reported they are doing everything they can to keep their company going.

Mr. Carl Gelfer inquired if anyone has any additional information on the Nationwide issue. Director Seney responded by saying he does not have an update for Mr. Gelfer; that to his knowledge there is still nothing new to report.

Mr. Marty Pohlod of the Ohio Central reported that the commission would receive a letter in regard to the valuation report of the Panhandle.

Stu Nicholson, ORDC’s Public Information Officer, noted that in *Trains Magazine* there is a map that identifies train routes in Ohio in 1946 and how much of this rail infrastructure Ohio has lost since that time.

Rick Platt, Executive Director of the Heath-Newark-Licking County Port Authority, indicated the Port has just signed a purchase order to acquire an additional 300 acres of property and reported he intends to be involved with issues involving the Panhandle for quite some time.

ADJOURNMENT

Chairman Betts adjourned the meeting of the Ohio Rail Development Commission at 12:35 p.m.