

PANHANDLE ADVISORY COMMITTEE MEETING APRIL 11, 2008

Panhandle Committee members met on Friday, April 11, 2008 at the offices of the Ohio Rail Development Commission. Chairman McOwen called the meeting to order at 11:15 a.m. Members present were as follows: Committee Chairman Tom McOwen; Commissioners Solomon Jackson and Kimberly Gibson; ORDC Staff Matt Dietrich, Lou Jannazo, Megan McClory, Stu Nicholson and ORDC Counsel Alan Klodell. Commissioner Jim Hartung was unable to attend the meeting. Also present for the meeting was Bill Strawn, President, Ohio Central Railroad Systems, and Daniel VanEpps.

Approval of the Minutes of the March 24, 2008 Panhandle Committee Meeting

Chairman McOwen asked for a motion to approve the minutes of the March 24, 2008 Panhandle Committee meeting. Commissioner Gibson moved to approve the minutes and Commissioner Jackson seconded the motion. The motion was approved.

Status Update on Appraisal Revision

Chairman McOwen asked Megan McClory to provide a status update on the revision of the appraisal of the Panhandle originally completed in 2004.

Ms. McClory reported she had recently been in contact with John Garvin of Continental Appraisal Company and that she, Director Dietrich and Commissioner Jackson met with Mr. Garvin regarding the cost of the update and the time frame required to complete the project. Ms. McClory stated the new updated cost estimate to perform the service is \$64,275 rather than the ballpark figure of \$95,000 that was initially quoted. Ms. McClory reported this figure does include the work to inspect the property, including hi-railing the line, prepares comparables on the property values, provides an extensive narrative/report and includes the track and fixtures.

Chairman McOwen raised the question to the committee again regarding the necessity of knowing the real estate value if that number will not be used to determine the cost of the rent. He expressed concern over spending the money (which will require Controlling Board approval) in an already tight budget condition. Additional discussion on this topic took place with both Commissioners Gibson and Jackson standing firm on their positions from the previous meeting to spend the money for the updated appraisal. Both commissioners feel it is vitally important to know what the entire "package" (i.e., the Panhandle line including track, fixtures and real estate) is worth.

After even more discussion Chairman McOwen conceded but asked to be on record that he is very concerned about spending the money (for the updated appraisal) when that final determined value will not be the amount that is ultimately charged to the operator.

Motion to Direct Staff to Update Panhandle Appraisal

Commissioner Gibson made a motion to direct staff to enter into an agreement for the appraisal of the Panhandle Line that includes inspection, hi-railing, narrative and track and fixtures. Commissioner Jackson seconded the motion. The motion is approved. ORDC staff will work with Continental Appraisal to commence the appraisal process on the Panhandle Line.

Discussion of Rent Handout

Megan McClory reviewed the three different scenarios for potential deductions to the monthly rent. They are deductions for: Acquisition Debt, Infrastructure Loans and Extraordinary Maintenance Activities.

Discussion followed regarding these scenarios. The committee members reviewed and discussed the definitions of normal vs. extraordinary maintenance. Lou Jannazo pointed out the purpose of the list is to determine what the operator will get credit for, what maintenance will be deducted from their rent.

Review of Normal vs. Extraordinary Maintenance Handout

Director Dietrich raised the issue that the operator should be allowed an opportunity to come before the commission to obtain a deduction, or credit, when an extraordinary circumstance arises prior to the proposed five-year increments for the review. Commissioner Jackson raised the point that there should always be a minimum that the operator should pay. He added that the operator should also have incentives for economic development activities it might become involved in to further assist in deductions to their rent amount.

Bill Strawn thanked the commissioners for their efforts in attempting to define the parameters of this new lease and added that since the Ohio Central has been involved with the Panhandle they have invested \$6.8 million over their required minimum investment. Commissioner Jackson reiterated the need for an industrial development incentive in the lease and commended the Ohio Central on being a true partner with the State.

Chairman McOwen requested that staff work with Ohio Central to flesh out the definitions of normal vs. extraordinary maintenance. He also requested an industrial development incentive be added to Rent section.

Discussion regarding minimum standards for maintenance ensued with Bill Strawn indicating his company currently follows FRA standards. Chairman McOwen stated that the FRA standards should be the baseline for all maintenance.

Going back to the Rent handout Commissioner Gibson inquired about the possibility of a "negative rent" situation. She asked if any credits will be given toward the next month's rent.

Lou Jannazo questioned if every potential deduction will need to go before the commission for approval. Extensive discussion regarding this issue took place.

Director Dietrich indicated the need for a set minimum threshold for the state to cover administrative costs.

Chairman McOwen requested staff (Megan) revise the normal vs. extraordinary list to incorporate that list into one document with the Rent handout to assist in discussions at the next meeting.

Next Steps

ORDC staff will revise paperwork and continue dialogue with Ohio Central regarding normal vs. extraordinary maintenance situations.

Next Meeting

It was decided that the next meeting of the Panhandle Committee will take place on Friday, May 2, 2008 beginning at 11:00 a.m. at the offices of the Ohio Rail Development Commission.

Adjournment

Chairman McOwen called the meeting adjourned at 1:50 p.m.