



Record of Meeting | September 14, 2015

The Illinois State Toll Highway Authority (the “Tollway”) held the Finance, Administration and Operations Committee Meeting on Monday, September 14, 2015 at Tollway Headquarters in Downers Grove, Illinois. The Meeting was held pursuant to By-Laws of the Tollway upon call and notice of the Meeting executed by Chairman Robert J. Schillerstrom and posted in accordance with the requirements of the Illinois *Open Meetings Act*. The Meeting was open to the public.

[Bolded entries indicate issues which may require follow-up to present or report to Directors.]

Call to Order / Roll Call

Committee Chair Joe Gomez called the Meeting to order at approximately 11:10 a.m. and stated that this is the regularly scheduled meeting of the Finance, Administration and Operations Committee (“FAO Committee”) of the Tollway Board of Directors.

Committee Chair Gomez reported that Director Dotson will be unable to attend the Meeting. He advised that pursuant to *Article III, Section 4*, of the Tollway’s By-Laws, as Chair of the FAO Committee, he is authorized to appoint an alternate Committee member to temporarily serve in the absence of a regular member. Committee Chair Gomez then stated he hereby appoints Chairman Bob Schillerstrom as an alternate Committee member, the appointment to remain in force for the duration of the September 14, 2015 FAO Committee Meeting.

He then asked the Board Secretary to call the roll, those Directors present and absent being as follows:

Committee Members Present:
Committee Chair Joe Gomez
Director Corey Brooks (entered at 11:18 a.m.)
Director Nick Sauer
Chairman Bob Schillerstrom (<i>alternate member by designation</i>)

Committee Members Not Present:
Director Earl Dotson, Jr.
Director David Gonzalez

The Board Secretary declared a quorum present.



Public Comment

Committee Chair Gomez opened the floor for public comment.

Mark Kunicki, of Schaumburg, Illinois, addressed the Committee. Mr. Kunicki commented that in addition to his advocacy for "Don't Drink and Drive", "Child ID", and "Anti Bullying" programs, he is employed by a merchant account provider which has interest in offering credit card processing services for Tollway customers. Committee Chair Gomez thanked Mr. Kunicki for his comments.

Committee Chair's Items

Committee Chair Gomez called for a motion to approve the Minutes of the Finance, Administration and Operations Committee meeting held on August 19, 2015. Director Sauer made a motion for approval; seconded by Chairman Schillerstrom. The motion was approved unanimously by those Directors present, Director Brooks having not yet entered.

Committee Chair Gomez then called on Greg Bedalov, Executive Director.

Executive Director's Items

Debt Management Update: With an expressed interest in providing the Committee with background for three items on the Meeting agenda related to the financing of the Tollway's *Move Illinois* Program, Executive Director Bedalov introduced Mike Colsch, Chief of Finance, to present an overview of the assignment of bond underwriting groups and the financial advisory services needed in connection with \$800 million in new bond authorizations to be requested. [See attached presentation.](#)

[Director Brooks entered at approximately 11:18 a.m.]

Proposed Release of Retainage Policy Changes: Executive Director Bedalov then introduced Paul Kovacs, Chief Engineer, to present proposed revisions to the Tollway's release of retainage policy which will allow a more efficient release of retainage, helping contractors and subcontractors with cash flow. [See attached presentation.](#)

Committee Chair Gomez commended the Chairman, the Executive Director and staff for the proposed changes to the release of retainage policy, suggesting that expediting the release of retainage will assist small firms doing business with the Tollway. Director Sauer concurred with



sentiments expressed by Committee Chair Gomez, suggesting that the policy revisions should benefit disadvantaged, minority- and women-owned business enterprises.

Items for Consideration

Committee Chair Gomez then called on Mike Colsch, Chief of Finance, to present the following **Finance Items**:

Item 1: Approval of funding for the Workers' Compensation Insurance Claim Reserve Fund in the amount of \$8,775,000.00 for the 2015-2016 program year, including a reduction of \$2,799,655.00 for open claims for program years prior to April 30, 2015.

Item 2: Renewal of pool of four financial advisory firms to provide financial advisory services to the Tollway in connection with new capital debt, existing capital debt, and other capital financing initiatives.

Item 3: Resolution authorizing the issuance of up to \$800 million of Revenue Bonds to finance a portion of costs related to the Move Illinois Program.

Item 4: Renewal of underwriter pools for a period of one-year and assignment of underwriting groups for next two bond issues.

Committee Chair Gomez called for a motion to approve placement on the September Board of Directors meeting agenda of **Finance Item 1 through 4** with the Committee's recommendation for approval by the Board. Director Sauer made a motion for approval; seconded by Director Brooks. Committee Chair Gomez asked if there were any questions, concerns or requests for discussion.

Chairman Schillerstrom, referencing Finance Item 1, requested confirmation that the Tollway operates a completely self-funded Workers' Compensation plan. Mr. Colsch confirmed.

Chairman Schillerstrom asked if an analysis was performed which determined that operating a self-insured Workers' Compensation program is the most cost effective option for the Tollway to manage Workers' Compensation risks. Mr. Colsch responded in the affirmative. He clarified that the original analysis was performed some years ago, and, therefore, the Tollway is currently reaching out to brokers and agents to evaluate whether the insurance marketplace has changed. He added that pending results of the review, it is the Finance department's expectation that a self-funded plan will continue to be the approach which will maximize the Tollway's opportunities to control costs.



Hearing no further questions, Committee Chair Gomez called for a vote on the pending motion. The motion was approved unanimously.

Committee Chair Gomez then called on John Donato, Chief of Procurement, to present the following **Procurement** Items:

Item 1: Award of Contract 15-0076 to Cargill Salt Div. and Compass Minerals America, Inc. for the purchase of Bulk Rock Salt in an aggregate amount not to exceed \$3,328,526.00 (Order Against CMS Master Contract).

Item 2: Amend Resolution No. 20751 – Award of Contract 13-0057 to Markham Transfer & Recycling, LLC for the purchase of Landfill Services in an amount not to exceed \$249,000.00 (Tollway Invitation for Bids).

Chairman Schillerstrom requested confirmation that construction site materials are typically recycled and that this contract provides a source for the disposal of roadside debris. Mr. Donato confirmed, explaining that the non-hazardous road debris is collected by Tollway maintenance workers and stored at Tollway maintenance sites until sufficient quantities to merit transporting to the landfill facilities are obtained.

Item 3: Award of Contract 14-0145R to Glory Global Solutions Inc. for the purchase of High-Speed Coin Counters and Printers in an amount not to exceed \$214,838.48 (Tollway Invitation for Bids).

Director Sauer requested confirmation the coin counters provided for by this contract are for use by the Cash Handling department at Tollway Headquarters. Mr. Donato confirmed.

Committee Chair Gomez requested confirmation the contract additionally provides for the purchase of printers. Mr. Donato confirmed, clarifying the contract provides a source for the purchase of eight high-speed coin counters and printers, including delivery, installation, interfacing, training, and maintenance.

Item 4: Renewal of Contract 13-0013 to MDSolutions, Inc. for the purchase of Aluminum Extrusions in an amount not to exceed \$280,000.00 (Tollway Invitation for Bids).

Committee Chair Gomez called for a motion to approve placement on the September Board of Directors meeting agenda of **Procurement Items 1 through 4** with the Committee's recommendation for approval by the Board. Director Sauer made a motion for approval; seconded by Director Brooks. Committee Chair Gomez asked if there were any questions,



concerns or requests for discussion. Hearing no further questions, Committee Chair Gomez called for a vote. The motion was approved unanimously.

Committee Chair Gomez then called on Paul Kovacs, Chief Engineer, to present the following **Engineering** Items:

Item 1: Award of Contract I-15-4661 to Alpine Demolition Services, LLC for Building Removal on the North-South bypass of the Elgin O'Hare Western Access Tollway (EOWA) at Powell Street and Acorn Lane in the amount of \$910,850.00.

Item 2: Acceptance of Proposal from Elmhurst Joint Venture on Contract I-11-4020 for Supplemental Design Services for Interchange Improvements on the Jane Addams Memorial Tollway (I-90) at Milepost 73.5 (Elmhurst Road), in the amount of \$137,813.90 from \$5,378,769.00 to \$5,516,582.90.

Item 3: Extra Work Order on Contract I-14-4210 to Lorig Construction Company for Outside Roadway and Bridge Reconstruction and Widening on the Jane Addams Memorial Tollway (I-90) from Milepost 73.3 (Oakton Street) to Milepost 75.1 (Wolf Road), in the amount of \$449,673.75.

Item 4: Change Order on Contract I-13-4618 to F.H. Paschen, S.N. Nielsen & Associates, LLC for Elmhurst Road West Bridge and Interchange on the Jane Addams Memorial Tollway (I-90) at Milepost 73.5 (Elmhurst Road); and Elmhurst Road from South of Landmeier to Oakton, in the amount of \$397,390.03.

Item 5: Final Release of Retainage on Contract I-13-4167 to F.H. Paschen, S.N. Nielsen & Associates, LLC for Bridge Reconstruction on the Jane Addams Memorial Tollway (I-90) at Milepost 60.4 (Bartlett Road).

Item 6: Final Release of Retainage on Contract RR-13-4130 to William Charles Construction Company, LLC for Ramp Reconstruction and Mainline Improvements on the Jane Addams Memorial Tollway (I-90) from Milepost 17.5 (US Business 20) to Milepost 2.7 (Rockton Road).

Item 7: Final Release of Retainage on Contract I-13-4124 to Plote Construction, Inc. for Widening & Reconstruction on the Westbound Jane Addams Memorial Tollway (I-90) from MP 45.8 (West of IL Route 47) to MP 49.7 (West of the Union Pacific Railroad).

Item 8: Final Release of Retainage on Contract I-13-4133 to Curran Contracting Company for Widening and Reconstruction on the Westbound Jane Addams Memorial Tollway (I-90) from Milepost 24.9 (Genoa Road) to Milepost 33.5 (Anthony Road).



Item 9: Final Release of Retainage on Contract I-14-4183 to William Charles Construction Company, LLC for Intelligent Transportation System (ITS) Fiber Optic Extension and Dynamic Message Sign (DMS) Installation on the Jane Addams Memorial Tollway (I-90) from Milepost 15.6 (US 20/State Street) to Milepost 17.9 (Mill Road) and I-39 from Milepost 121.1 to 122.5 (Harrison Ave).

Item 10: Final Release of Retainage on Contract RR-10-5620 to Allied Landscaping Corporation for Landscape and Improvements on the Tri-State Tollway (I-294) from Milepost 30.5 (Roosevelt Road) to Milepost 52.0 (Sanders Road Overpass); Tri-State Tollway (I-94) from Milepost 0.0 (Wisconsin State Line) to Milepost 25.0 (Lake-Cook Road); Jane Addams Memorial Tollway (I-90) from Milepost 49.25 to Milepost 49.5 (IL Route 72) and Milepost 68.0 to Milepost 68.5 (at I-290/IL Route 53).

Item 11: Final Release of Retainage on Contract RR-13-5688 to Era Valdivia Contractors, Inc. for Systemwide Bridge Painting on the Tri-State Tollway (I-294) at Milepost 40.8 (I-90) and Milepost. 43.5 (Algonquin Road); and Veterans Memorial Tollway (I-355) at Milepost 12.3 (I-55) and Milepost 26.5 (Union Pacific Railroad).

Item 12: Land Acquisition (Identification of Real Estate Parcels associated with the Elgin O'Hare Western Access Project). Cost to the Tollway: N/A

Mr. Kovacs requested that consideration of Engineering Item 12 be deferred to the Executive Session of the September Board of Directors meeting.

Committee Chair Gomez stated that without objection, for purposes of voting he will group together Engineering items by type.

Committee Chair Gomez then called for a motion to approve placement on the September Board of Directors meeting agenda of **Engineering Item 1** with the Committee's recommendation for approval by the Board. Director Sauer made a motion for approval; seconded by Director Brooks. Committee Chair Gomez asked if there were any questions, concerns or requests for discussion. Hearing none, Committee Chair Gomez called for a vote. The motion was approved unanimously.

Committee Chair Gomez called for a motion to approve placement on the September Board of Directors meeting agenda of **Engineering Item 2** with the Committee's recommendation for approval by the Board. Director Sauer made a motion for approval; seconded by Director Brooks. Committee Chair Gomez asked if there were any questions, concerns or requests for discussion. Hearing none, Committee Chair Gomez called for a vote. The motion was approved unanimously.



Noting that these Engineering items are change orders / extra work orders, Committee Chair Gomez called for a motion to approve placement on the September Board of Directors meeting agenda of **Engineering Items 3 and 4** with the Committee's recommendation for approval by the Board. Director Sauer made a motion for approval; seconded by Director Brooks. Committee Chair Gomez asked if there were any questions, concerns or requests for discussion. Hearing none, Committee Chair Gomez called for a vote. The motion was approved unanimously.

Noting that these Engineering items are releases of retainage, Committee Chair Gomez called for a motion to approve placement on the September Board of Directors meeting agenda of **Engineering Items 5 through 11** with the Committee's recommendation for approval by the Board. Director Sauer made a motion for approval; seconded by Director Brooks. Committee Chair Gomez asked if there were any questions, concerns or requests for discussion. Hearing none, Committee Chair Gomez called for a vote. The motion was approved unanimously.

Committee Chair Gomez stated that **Engineering Item 12** would be deferred to Executive Session of the September Board of Directors meeting.

Committee Chair Gomez then called on Liz Oplawski, Deputy General Counsel, to present the following **Legal** Items:

Item 1: An Intergovernmental Agreement with the Illinois Department of Transportation and City of Elgin (costs associated with Route 25 bridge over I-90). Cost to the Tollway: \$0.

Item 2: An Intergovernmental Agreement with the City of Markham (vacate existing road and alley dedications). Cost to the Tollway: \$189,000.

Item 3: An Intergovernmental Agreement with the Department of Transportation (EOWA inter-agency real estate transfers). Cost to the Tollway: \$0.

Ms. Oplawski requested that consideration of this item be deferred until a future meeting.

Item 4: A Workers Compensation Settlement – Jeff Girardin. Cost to the Tollway: As discussed in Executive Session.

Ms. Oplawski requested that consideration of this item be deferred to Executive Session of the September Board of Directors meeting.

Item 5: Bond Counsel Assignment

Committee Chair Gomez stated that **Legal Item 3** will be deferred to a future meeting.



Committee Chair Gomez stated that **Legal Item 4** will be deferred to the Executive Session of the September Board of Directors meeting.

Committee Chair Gomez then called for a motion to approve placement on the September Board of Directors meeting agenda of **Legal Items 1, 2 and 5** with the Committee's recommendation for approval by the Board. Director Sauer made a motion for approval; seconded by Director Brooks. Committee Chair Gomez asked if there were any questions, concerns or requests for discussion.

Director Sauer, referencing Legal Item 2, requested confirmation that there would be no ongoing maintenance costs to the Tollway for the road and alley which are subject of the Intergovernmental Agreement ("IGA"). Ms. Oplawski confirmed, clarifying the IGA would vacate existing dedications for a road and alley (never constructed) reserved to the City, allowing the land to be otherwise used by the Tollway to satisfy the requirements of the Tollway's compensatory wetland mitigation plan.

Hearing no further questions, Committee Chair Gomez then called for a vote on the pending motion. The motion was approved unanimously.

Executive Session

Committee Chair Gomez called for a motion to enter Executive Session pursuant to exceptions provided in Section 2(c)2 of the Illinois *Open Meetings Act* to consider Tollway matters related to collective bargaining. Director Sauer made a motion, pursuant to the section specified, to enter Executive Session; seconded by Chairman Schillerstrom. Committee Chair Gomez then called for a vote. The motion was approved unanimously.

At approximately 11:58 a.m., the Committee entered into Executive Session.

[Chairman Schillerstrom departed the Meeting at approximately 11:58 a.m.]

Adjournment

At approximately 12:19 p.m. the Committee re-entered the public session of the Meeting.

There being no further business, Committee Chair Gomez requested a motion to adjourn. Motion to adjourn was made by Director Sauer; seconded by Director Brooks. The motion was approved unanimously.



The Meeting was adjourned at approximately 12:20 p.m.

Minutes taken by: _____

Christi Regnery
Board Secretary
Illinois State Toll Highway Authority



Debt Management Update

September 14, 2015

New Bond Authorization

- Request authorization for \$800 million revenue bonds to finance a portion of the *Move Illinois* Program
- Estimated amount and timing
 - \$400 million in 4th quarter 2015
 - \$300 million in 2nd quarter 2016
 - Additional \$100 million contingency to accommodate increase if change to projected spending or favorable market conditions
- Will be two more *Move Illinois* bond issues
- First four bond issues generated \$1.88 billion for projects at average yields of 3.6 percent to call date and 4.2 percent to maturity
- Rescind \$200 million remaining from June 2014 authorization



Renewal of Financial Advisor Pool

Ongoing Financial Advisor	Transactional Financial Advisors
The PFM Group	AC Advisory Inc. Acacia Financial Group Inc. Columbia Capital Management LLC

- Established by competitive procurement process RFP#12-0161
- Provide financial advisory services in connection with: (i) financing the *Move Illinois* Program, (ii) management of bonded indebtedness and (iii) other capital financing initiatives
- All four firms registered as municipal advisors with the SEC as required by the Dodd-Frank Act



Renewal of Financial Advisor Pool *(cont.)*

- **\$1,425,000 authorized for three-year initial term**
 - Ongoing financial advisor: \$250,000 annually
 - Transactional financial advisors: \$225,000 during initial term and maximum \$75,000 per assignment
 - Compensation to D/M/WBE firms has been 26 percent
- **Initial terms expire October 31, 2015 or November 30, 2015**
- **Contracts renewable up to two years**
- **Request six-month renewal and increase in authorization from \$1,425,000 to \$1,700,000**

Renewal of Underwriter Pools

Senior Pool	Co-Manager Pool
Barclays Capital Inc	Cabrera Capital Markets
BMO Capital Markets GKST	Duncan-Williams
Citigroup Global Markets	Fifth Third Securities
Goldman Sachs	George K. Baum
Jefferies & Company	Janney Montgomery Scott
J.P. Morgan Securities	KeyBanc Capital Markets
Loop Capital Markets	Mesirow Financial
Merrill Lynch	Oppenheimer
Morgan Stanley & Co	Piper Jaffray
RBC Capital Markets	PNC Capital Markets
Samuel A. Ramirez & Co.	Raymond James
Siebert Brandford Shank	Rice Securities
Wells Fargo Bank	Robert W. Baird
William Blair & Company	Stifel Nicolaus & Company
	The Williams Capital Group
	U.S. Bancorp / U.S. Bank N.A.

Renewal of Underwriter Pools *(cont.)*

- Established by competitive procurement process RFP#12-0045
- Firms in the senior pool are available to serve as senior managing underwriter, co-senior managing underwriter or remarketing agent
- Firms in the co-manager pool are available to serve as co-managing underwriter
- Three-year initial terms expire December 31, 2015
- Underwriting assignments: \$2.50 per \$1,000 bond par amount
- Remarketing assignments: 0.045 percent of bond par amount
- Contracts renewable up to two years
- Request one-year renewal

Underwriter Assignments

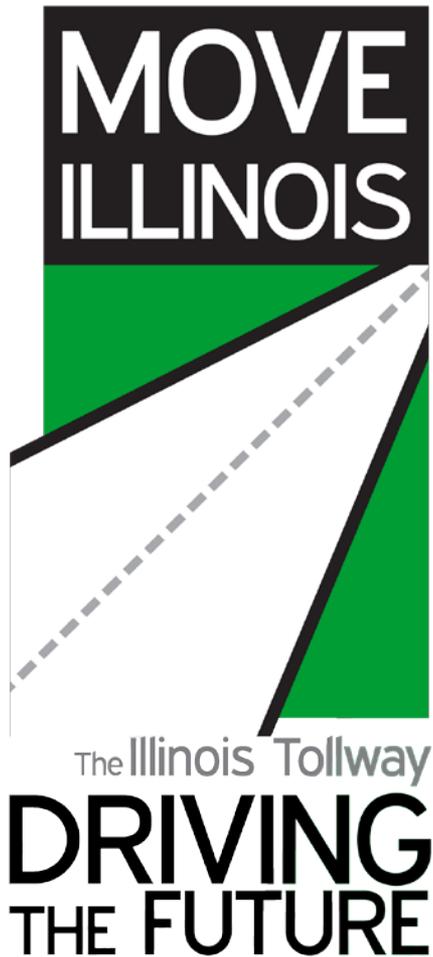
- **Underwriting group previously assigned to Series 2008B Refunding is requested to be re-assigned to Tollway's next bond issuance, expected to be either (a) the Series 2008B Refunding or (b) the next new money bond issue**
 - ❑ Due to pending acquisition of one of the firms previously assigned as senior managing underwriter in this group, such firm is recommended to be replaced by JPMorgan acting as a co-senior manager

- **Following group recommended for assignment to underwrite the Tollway's next bond issue after the bond issue underwritten per the above**
 - ❑ RBC and Siebert Brandford Shank (as senior managing underwriters)
 - ❑ Wells Fargo and William Blair (as co-senior managing underwriters)
 - ❑ Duncan-Williams, George K. Baum, Mesirow Financial, Janney Montgomery, Key Banc and Robert Baird (as co-managers)





THANK YOU



Proposed Release of Retainage Policy Changes

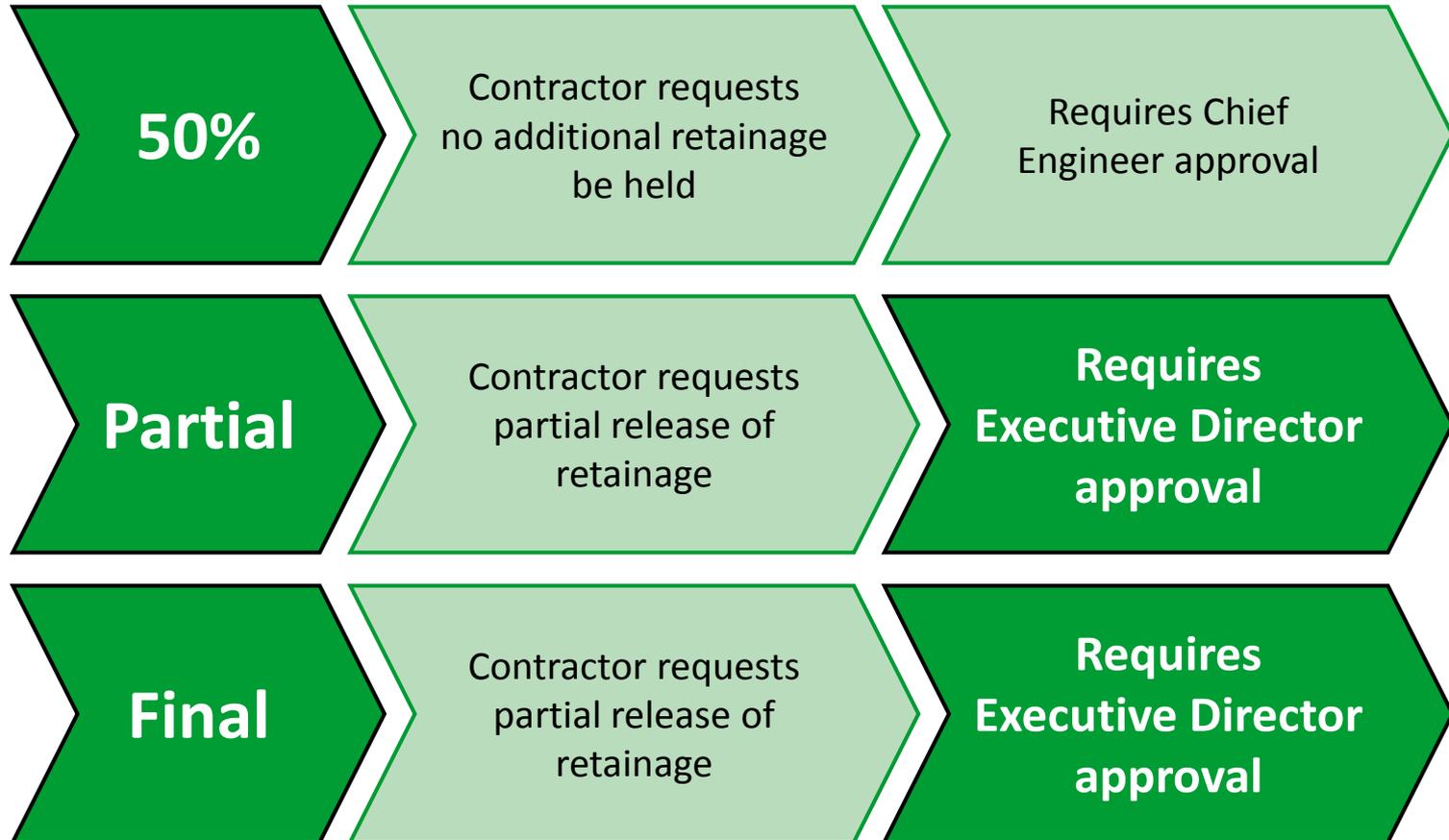
September 14, 2015

Current Retainage Policy

- ▶ **Required by the Tollway's Trust Indenture and specifications**
- ▶ **Ensures contract compliance and completion by the contractor**
 - ▶ Detailed review process prior to Board
 - ▶ Diversity goals must be addressed prior to final payment
- ▶ **Approvals to release of retainage are authorized by the Board monthly**

Retainage Process

Several steps to reduce and release retainage on construction contracts



Recommended Changes

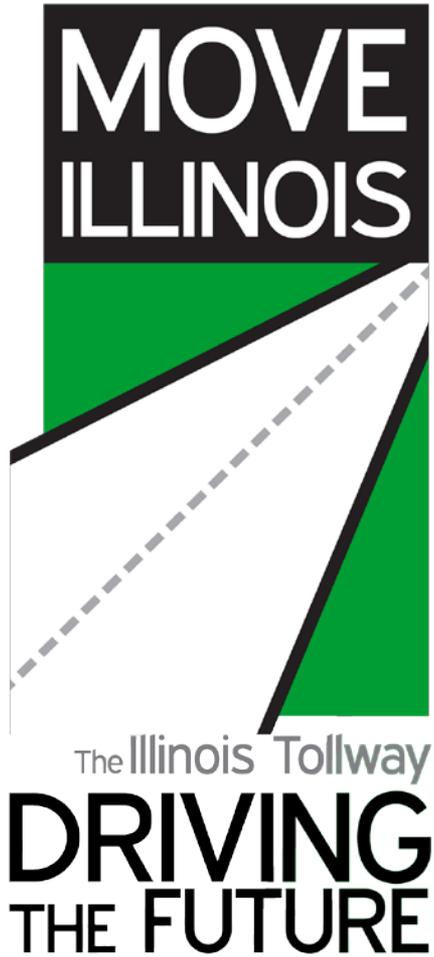
Changes permitted by the Trust Indenture

- ▶ **Enable electronic requests for retainage reduction (within web-based project management software)**
- ▶ **Delegate partial and final release of retainage approval to the Executive Director**
- ▶ **Provide a monthly report of retainage released to the Board**

Benefits of Recommended Changes

Modifications to the policy would benefit contractors and subcontractors (including minority and small businesses)

- ▶ **Ensures more timely payments**
- ▶ **Alleviates potential cash flow issues**
- ▶ **Maintains Tollway's reputation as a preferred client**
- ▶ **Follows good business practices**



THANK YOU
