

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF THE EXECUTIVE SESSION OF THE
FINANCE, ADMINISTRATION AND OPERATIONS
COMMITTEE MEETING**

November 12, 2014

On November 12, 2014 at approximately 9:57 a.m., the Finance, Administration and Operations Committee met in Executive Session to discuss Tollway matters related to sale of securities, pursuant to Section 2(c)(7) of the Illinois *Open Meetings Act*.

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

Directors Present:

Committee Chair Peterson

Director David Gonzalez

Chair Paula Wolff

Staff present for all or portions of the meeting:

Kristi Lafleur (Executive Director)

Michael Stone (Chief of Staff)

David Goldberg (General Counsel)

Mike Colsch (Chief of Finance)

Directors discussed an SEC matter.

Staff provided an update on developments related to the Securities and Exchange Commission's ("SEC's") Municipalities Continuing Disclosure Cooperation ("MCDC") initiative for municipal securities. Staff stated that the reporting deadline, should the Tollway elect to participate in MCDC, is November 30, 2014. Staff would only proceed with any reporting if directed by the Board at next week's meeting.

Staff reported that of all eight surveyed senior underwriters only one opted to report a Tollway matter, stemming from a 1998 issuance with differing financial reporting timeframes in the transaction documents.

Staff then discussed the outside legal guidance and Tollway Law Department perspective that the Board may wish to consider. Additionally, discussion focused on differing perspectives between a single issuer like the Tollway and a broader market underwriter that was provided different incentives under the MCDC initiative.

A Director inquired whether underwriters, when reporting under MCDC, address the materiality of any instances reported. Staff responded that it is their understanding,

as to the one underwriter discussed, that they are not making any representations as to the materiality of instances reported.

Staff discussed legal guidance received in this regard, noting generally that SEC enforcement can take on a range of outcomes, but that MCDC required agreement to set obligations and terms.

A Director inquired if staff has any information as to a breakdown by age of instances of non-compliance reported under MCDC by the underwriter discussed. Staff responded in the negative.

A Director inquired of staff if they had recommendations for how best to proceed. Staff reported that the Tollway Law Department, as well as outside counsel, continue to maintain their belief that identified Tollway issues do not rise to the standard of “material” for purposes of MCDC, particularly when considered from an investor’s standpoint. Tollway counsel and the Finance Department will be prepared to engage with the SEC should it wish to act upon the one item reported by an underwriter.

A Director inquired why Board action is required if the Tollway elects to self-report under MCDC. Staff responded that Board authorization would be required for the Tollway to enter into a consent decree with a federal agency. Staff added that if the Tollway elects to self-report, an item for Board action would need to be listed on the Board Agenda for the November Board meeting.

Directors expressed their consensus that the Tollway has not experienced events requiring reporting under the MCDC process. Chair Wolff then expressed a preference that the advice and consent of the full Board be sought in Executive Session at the November Board meeting before a final determination is made as to the advisability of self-reporting. Chair Wolff further indicated that a special session could be convened to take action prior to the reporting deadline should the Board decide in favor of self-reporting.

At approximately 10:22 a.m., Committee Chair Peterson called for a motion to re-enter the public session of the Finance, Administration and Operations Committee Meeting. Chair Wolff made the motion; seconded by Director Gonzalez. The motion was approved unanimously.

Minutes taken by: _____ /s/ on original

Christi Regnery
Board Secretary
Illinois State Toll Highway Authority

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF THE EXECUTIVE SESSION OF THE
REGULAR BOARD MEETING**

November 20, 2014

On November 20, 2014 at approximately 10:42 a.m., the Board of Directors met in Executive Session to discuss Tollway matters related to personnel matters, collective bargaining matters, sale of securities, and litigation matters, pursuant to Sections 2(c)(1), 2(c)(2), 2(c)(7) and 2(c)(11) of the Illinois *Open Meetings Act*.

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

Directors Present:

Chair Paula Wolff
Director James J. Banks
Director Terry D’Arcy
Director Earl Dotson, Jr.
Director David Gonzalez
Director Mark Peterson
Director Jeff Redick
Director Tom Weisner

Staff present for all or portions of the meeting:

Kristi Lafleur (Executive Director)
Mike Stone (Chief of Staff)
Mike Colsch (Chief of Finance)
David Goldberg (General Counsel)

Directors discussed an SEC matter.

Staff provided background and an update on developments related to the Securities and Exchange Commission’s (“SEC’s”) Municipalities Continuing Disclosure Cooperation (“MCDC”) initiative for municipal securities. Staff reminded the Board that the reporting deadline, should the Tollway elect to participate in MCDC, is December 1, 2014.

Staff stated that one underwriter has opted to report, under MCDC, a Tollway event stemming from a 1998 bond issuance with differing financial reporting timeframes in the transaction documents. Staff noted their understanding that the underwriter submitted MCDC reports to the SEC under cover letter indicating the firm was not making representation as to the materiality of instances reported.

Staff then discussed the outside legal guidance provided the Tollway, including a recent supplemental memo received from one of the outside firms that advises the

Agency on bond matters, which speaks to the MCDC report made by an underwriter of a Tollway event.

Discussion ensued regarding the perspective of market underwriters with regard to reporting under MCDC, and the various incentives the SEC has created to encourage self-reporting by underwriters.

Additionally, discussion focused on supporting arguments and opposing arguments to self-reporting under MCDC. Staff advised that the Tollway Law Department continues to maintain its belief that identified Tollway issues do not rise to the standard of “material” for purposes of MCDC, particularly when considered from an investor’s standpoint, and are prepared to argue this position should the SEC inquire regarding the reported event by an underwriter.

The Board conveyed its consensus that the Tollway has not experienced events requiring reporting under the MCDC process.

Directors discussed collective bargaining.

Staff reported that collective bargaining negotiations have recently been initiated with the Metropolitan Alliance of Police (“MAP”), Local 336, noting the current contract expired on October 31, 2014. Staff provided anticipated timing and current collective bargaining negotiation objectives, in keeping with terms achieved in recent labor agreements.

A Director inquired regarding attendance at the recent Tollway budget hearing by Tollway employee membership of a unit of the American Federation of State County Municipal Employees (“AFSCME”). Staff stated that a group of approximately 30 members attended the budget hearing and that a representative for the AFSCME members expressed frustration with the negotiation process. Staff reported that the negotiating positions of the parties with regard to wage increases are far apart and strategies to reach agreement are currently being considered, including introduction of a mediator.

Directors discussed litigation matters.

Staff provided an update on the case of *Cochran v. Tollway*, a class action suit filed in the northern District of Ohio in which all the Directors were served.

Staff advised that the plaintiff claims to have been confused by Illinois’ open road tolling and has now filed a class action suit on behalf of himself and other similarly situated persons who have received notices of violation. Staff reported that the

Tollway, working with local counsel in Ohio, requested the case be transferred to Illinois, and that request has been granted.

A Director inquired whether a judge had been assigned to the case. Staff responded affirmatively, providing the name of the judge assigned.

A Director requested confirmation that the attorney representing the plaintiff in this action is a family member of the plaintiff. Staff responded affirmatively.

Staff briefed the Board on the case of *Specialty Contractors, Inc., v. Tollway*. Staff stated that the plaintiff in this case is seeking damages related to loss of business and harm to reputation as a result of its inclusion on the Tollway's "super scofflaw" list in August 2013. Staff reported that the Tollway's motion requesting transfer of this case from the Circuit Court of Cook County, where originally filed, to DuPage County has been granted.

Staff provided an update on the case of *Carollo v. Tollway and Village of Schiller Park*, a suit emanating from a sledding collision with a raised water main pipe (owned by Schiller Park) on Tollway property. Staff described the Tollway's contention that the work permit issued to the Village indemnifies the Tollway from personal injury claim. Staff reported that the plaintiff in this case has now requested mediation, and as a result, Tollway negotiations were initiated with the Village to determine the division of liability for any agreement reached through mediation. Staff then provided the plaintiff's current settlement demand and estimated Tollway loss exposure. Staff reported that an agreement has been reached with the Village of Schiller Park that would assign the Village a 75% share, and the Tollway a 25% share, of responsibility for any settlement agreement reached through mediation. Staff noted that the agreement is to include a \$100,000 cap on Tollway liability. Staff then requested an endorsement of the Board for the agreed-upon division of liability, before proceeding to the mediation process.

The Board expressed its comfort with the agreement reached as to division of liability.

A Director inquired regarding the status of the Sanders matter. Staff responded that this complaint was recently filed with the Equal Employment Opportunity Commission and the deadline for Tollway response has not yet occurred.

A Director inquired whether the complainant is currently employed at the Tollway. Staff responded that the complainant was an intern at the Tollway, and that her internship reached its scheduled conclusion several weeks ago.

Directors met with Executive Director Lafleur to discuss personnel matters.

Directors met without Executive Director Lafleur to discuss personnel matters.

Directors discussed personnel matters including the annual evaluation of the Executive Director.

There being no further questions, at approximately 11:12 a.m., Chair Wolff called for a motion to re-enter the public session of the Regular Board Meeting. Director Banks made the motion; seconded by Director D'Arcy. The motion was approved unanimously.

Minutes taken by: _____ /s/ on original

Christi Regnery
Board Secretary
Illinois State Toll Highway Authority

CONFIDENTIAL

This document contains confidential information of the Illinois State Toll Highway Authority ("Tollway"). Access to and use of this information is strictly limited and controlled by the Tollway. This document may not be copied, distributed, or otherwise disclosed outside of the Tollway's facilities except under appropriate precautions to maintain the confidentiality hereof, and may not be used in any way not expressly authorized by the Tollway.

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF THE EXECUTIVE SESSION OF THE
FINANCE, ADMINISTRATION AND OPERATIONS
COMMITTEE MEETING**

December 10, 2014

On December 10, 2014 at approximately 10:38 a.m., the Finance, Administration and Operations Committee met in Executive Session to discuss Tollway matters related to real property acquisition and litigation matters, pursuant to Sections 2(c)(5) and 2(c)(11) of the Illinois *Open Meetings Act*.

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

Directors Present:

Committee Chair Peterson
Director Terry D'Arcy
Director David Gonzalez
Chair Paula Wolff

Staff present for all or portions of the meeting:

Kristi Lafleur (Executive Director)
Michael Stone (Chief of Staff)
David Goldberg (General Counsel)
Paul Kovacs (Chief of Engineering)
Rocco Zuccherro (Deputy Chief of Eng. for Planning)
Joanne Fehn (Land Acquisition Manager)

Directors discussed Workers' Compensation Settlements.

General Counsel provided a summary of the workers' compensation matter of Shawn Holmer. Staff provided the recommendation of outside counsel to settle this workers' compensation claim in an amount not to exceed \$220,000.

A Director inquired whether the claimant is still employed by the Tollway. Staff responded the claimant is still a Tollway employee but was medically released to work with restrictions that the Tollway could not accommodate. Staff further stated that upon settlement, the claimant is expected to leave the Tollway's employ.

A Director inquired how the injury was sustained. Staff provided the circumstances under which the injury was sustained, advising the accepted injury was deemed as compensable by the Tollway's third-party administrator.

A Director requested confirmation that the proposed settlement terminates future Tollway liability in this matter. Staff responded affirmatively.

General Counsel then provided a summary of the workers' compensation matter of Brandon Clatch. Staff provided the recommendation of outside counsel to settle this workers' compensation claim in an amount not to exceed \$118,000. Staff added that Mr. Clatch has returned to work at the Tollway.

A Director inquired whether the driver of the vehicle that collided with the Tollway snow plow truck was insured. Staff responded that an investigation conducted by the Tollway's third-party administrator indicates that this individual's insurance coverage was cancelled prior to the incident.

Directors discussed land acquisition matters.

Staff updated the Board regarding land acquisition activities for the Elgin O'Hare Western Access Project ("EOWA"). Staff reported that the Land Acquisition team has been working with Prologis, Inc., in order to potentially acquire 10-15 of their properties along the EOWA corridor. Staff then presented for consideration an Administrative Settlement with Prologis, Inc., to acquire a grouping of five of these properties (Group 1) essential to commence construction. Staff stated the Tollway's external appraisers' aggregate valuation for these five parcels is approximately \$30 million, while Prologis, Inc., is asserting a valuation of approximately \$51 million. Staff further stated that Prologis, Inc., has offered settlement in the amount of \$39 million, noting an administrative settlement in this amount requires Board approval.

A Director inquired about Prologis, Inc. Staff responded that Prologis, Inc., is a global industrial real estate investment trust owning considerable industrial property in the region and throughout the world.

A Director inquired as to the number of parcels along the EOWA corridor owned by Prologis, Inc. Staff responded that Prologis, Inc., owns 18 parcels on the EOWA corridor, 10 of which are currently anticipated to be impacted by Tollway land acquisition activities including the five parcels (Group 1) subsumed in the proposed Administrative Settlement. Staff noted that potential impact to the remaining eight properties is still being evaluated.

A Director asked for the combined size of the Group 1 parcels. Staff responded approximately 564,000 square feet.

A Director inquired whether the Group 1 parcels are improved property. Staff responded that the parcels largely consist of improved property.

A Director requested that information about Prologis, Inc., including the Board of Directors, ownership interests and record owners be provided in order to inform Directors of any potential conflicts. **Staff responded this information will be provided.**

A Director inquired if there were impediments to a lump-sum acquisition of all 10 identified Prologis, Inc., parcels. Staff responded there was not sufficient time, without risking the delay of project construction, to compile the information necessary for a lump-sum acquisition of all 10 parcels, therefore, the identified parcels were divided for acquisition into two groupings of five parcels each (Group 1 and Group 2).

A Director inquired regarding the second grouping of five Prologis, Inc., parcels (Group 2) identified for acquisition. Staff responded that the Group 1 parcels are costlier and more involved acquisitions in comparison to Group 2, which consists largely of temporary and partial acquisitions with little or no relocation assistance needed.

A Director inquired whether a map showing the identified Prologis, Inc., parcels can be made available to Directors. **Staff responded this information will be provided.**

A Director asked whether the pricing achieved for the Group 1 parcels in the proposed Settlement Agreement can be accommodated within the land acquisition budget established for EOWA. Staff responded affirmatively.

A Director inquired regarding the basis for Prologis, Inc.'s, valuation of the Group 1 parcels. Staff responded that Prologis, Inc.'s, valuation of \$51,841,000 is based on market data they have compiled for comparison and provided the Tollway. Staff noted the Land Acquisition team has some concerns with the market data used to produce an estimate of value for one of the Group 1 parcels.

A Director inquired regarding the appraisers engaged by the Tollway to assess the value of the Group 1 parcels and whether they have experience with these types of appraisals. Staff provided the names, firms, and parcel assignments of the appraisers utilized and confirmed they are all experienced.

A Director asked which parcel elicited concerns regarding the market data provided as comparison. Staff identified the parcel as #101, indicating the market data provided by Prologis, Inc., for this parcel did not appear as precise as others.

Staff expressed comfort with the settlement amount offered by Prologis, Inc., and advised there will be complex relocation assistance required on certain Group 1 parcels that include numerous tenants and subtenants, so timely acquisition will be critical to preventing delay in project construction.

A Director inquired about the process and potential outcomes of the activities related to acquiring the Group 1 parcels. Staff stated that Prologis, Inc., rather than proceeding to court where they might expect the difference between the valuations to be split (at potentially \$40-\$41 million), has offered settlement with the Tollway in the amount of \$39 million. Staff added that should the Board approve this settlement offer, the Tollway would enter into an administrative settlement with Prologis, Inc., with a goal of closing on the Group 1 parcels prior to yearend.

A Director requested confirmation that entering into the proposed Administrative Settlement would avoid litigation. Staff confirmed, clarifying that court action would only be necessary if title could not be cleared.

Staff stated that relocation of tenants and subtenants in the Group 1 parcels could potentially take a year's time, advising that Tollway acquisition will provide statutory authority that will help facilitate relocation efforts.

A Director inquired about Prologis, Inc.'s, vacancies within the same industrial parks that might accommodate the relocation of Group 1 parcel tenants. Staff responded that the affected buildings are largely standalone and do not offer opportunities for relocation within the same industrial park. Staff stated the Tollway has requested that Prologis, Inc., attempt relocation of tenants to vacancies within their other properties on the corridor. Staff further stated that Tollway efforts will focus on relocation of tenants locally, in order to minimize the financial impact to local communities. **Staff added that information on commercial vacancies available within the community and corridor will be provided.**

A Director requested, if available, sales figures for comparable properties recently acquired by the Tollway that might be useful for comparison. **Staff responded they will attempt to locate and provide if available.**

A Director inquired regarding the precedent set by agreeing to an administrative settlement for the Group 1 parcels. Staff responded that once closed, the transaction

would be published and certain Tollway records would be subject to disclosure under the Freedom of Information Act. Staff noted, however, there is only one, if any, owner with parcels identified for acquisition within the EOWA corridor for which the proposed Administrative Settlement could reasonably be deemed a comparable.

Staff remarked that using the highest sales figures for comparable properties to the Group 1 parcels, as compiled by Tollway appraisers, would result in a valuation of approximately \$41 million. **A Director suggested this information be shared with the full Board.**

A Director inquired whether there would be any Tollway revenue generated from the sale of recyclable materials during demolition. Staff responded that any potential revenue from materials salvage is typically factored by vendors into their Tollway bid submissions for the demolition contract.

A Director asked if there are any environmental issues identified within the Group 1 parcels that might result in additional costs to the Tollway for mitigation or demolition. **Staff responded this information will be provided.**

The Committee deferred the proposed Administrative Settlement (Engineering Item 23) to the Executive Session of the December Board of Directors meeting for further consideration.

At approximately 11:06 a.m., Committee Chair Peterson called for a motion to re-enter the public session of the Finance, Administration and Operations Committee Meeting. Chair Wolff made the motion; seconded by Director D’Arcy. The motion was approved unanimously.

Minutes taken by: _____ /s/ on original

Christi Regnery
Board Secretary
Illinois State Toll Highway Authority

CONFIDENTIAL

This document contains confidential information of the Illinois State Toll Highway Authority (the "Tollway"). Access to and use of this information is strictly limited and controlled by the Tollway. This document may not be copied, distributed, or otherwise disclosed outside of the Tollway's facilities except under appropriate precautions to maintain the confidentiality hereof, and may not be used in any way not expressly authorized by the Tollway.

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF THE EXECUTIVE SESSION OF THE
REGULAR BOARD MEETING**

December 18, 2014

On December 18, 2014 at approximately 11:12 a.m., the Board of Directors met in Executive Session to discuss Tollway matters related to personnel matters, collective bargaining matters, acquisition of real property, security procedures, and litigation matters, pursuant to Sections 2(c)(1), 2(c)(2), 2(c)(5), 2(c)(8) and 2(c)(11) of the Illinois *Open Meetings Act*.

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

Directors Present:

Chair Paula Wolff
Director James J. Banks
Director Terry D'Arcy
Director Earl Dotson, Jr.
Director Mark Peterson
Director Jeff Redick
Director James Sweeney
Director Tom Weisner

Staff present for all or portions of the meeting:

Kristi Lafleur (Executive Director)
Michael Stone (Chief of Staff)
David Goldberg (General Counsel)
Joe Kambich (Chief of Information Technology)
Gustavo Giraldo (Chief of Diversity)
Joanne Fehn (Land Acquisition Manager)
Mike Colsch (Chief of Finance)
Lisa Williams (Ethics Officer)

Directors discussed security procedures.

Executive Director Kristi Lafleur stated that, following the relatively recent Target Corporation credit card information data breach and other well-publicized data and information technology breaches, management felt it important to perform an assessment of information technology security at the Illinois Tollway. Staff reported that, after an initial assessment which revealed areas of concern, changes to operations and compliance processes in response to the assessment have placed the

Tollway in a better position to ensure that the agency and customers are protected from internal and external information technology security threats. Staff also indicated that they wanted the Board to be aware of the typical challenges facing corporations and public sector agencies and the steps being taken by the Tollway to address the matter.

Staff then introduced Brian Diver, President and COO of SDI Enterprises, the lead firm contracted to perform the information technology security assessment. Mr. Diver further introduced additional team members Ed Kipp, SDI Enterprises, Felix Knoll, eSentire, Inc., and Matt Haughey, SDI Enterprises. Additionally, Mr. Diver provided background on his firm and the specialists engaged to assist with the assessment.

Mr. Diver then provided a presentation on the assessment conducted of the agency's information security and technology risk strategy. Mr. Diver reported that, after remediation of issues identified by an initial assessment, the Tollway has achieved an overall combined grade of "B", indicating the security meets with accepted standards for "Industry Best Practice" and the agency's overall posture was found to be strong with only a handful of medium- and low-risk shortcomings identified. Mr. Knoll noted that a grade of "A" is uncommon. Mr. Knoll also noted that the Tollway was able to remediate issues identified in the initial assessment at a pace much quicker than typical entities undergoing similar assessments.

A Director inquired whether identified suspicious activity is delayed while the system, or those monitoring, perform a risk assessment. Mr. Knoll responded that such activity is allowed to proceed without delay, unless it meets specific threat level triggers, but is identified and reported immediately for analysis. Staff added that around the clock real-time monitoring of data traffic has been implemented, allowing for near immediate response by the Information Technology department.

A Director inquired regarding the grading criteria and assessment. Staff responded that the scanning tools utilized generate empirical reports and issue a grade, based on vulnerabilities and threats found. Mr. Kipp added that subjective assessments, such as security consciousness and speed of response to threats, also contribute to the grade issued.

A Director inquired about the remediation needed to address Tollway voice over internet protocol ("VOIP") based telephones at remote sites. Mr. Kipp responded that the remediation was straight-forward, involving software patching.

A Director asked for the timeframes expected for the completion of the presented short- and long-term data security enhancements. Staff responded that

implementation of the majority of the long-term strategies, including procurements, additional internal assessments and hiring of additional staff, are anticipated to take 6-12 months. Staff further stated that the short-term improvements are currently underway and anticipated to be completed within a few months.

A Director asked whether the Tollway utilizes cloud-based data storage. Staff responded that the Tollway does not utilize third parties for cloud-based data storage but does utilize private cloud-based data storage systems.

A Director inquired about the budgetary implications of the long-term strategy for data security enhancements. Staff responded that the agency is in the final stages of the initiative developed four years ago to upgrade the architecture of the Tollway computer system, and that ongoing system upgrades are planned and budgeted. Staff further stated that the IT department budget includes allocations for technology refresh cycles occurring every three to five years.

Directors discussed a litigation matter and preparation of litigation defense.

General Counsel provided a summary and update on the *Midwest Fence Corp. v. Illinois State Toll Highway Authority* litigation noting that an update to the underlying disparity study is about to be discussed and is in final stages of preparation.

Staff then introduced Ms. Colette Holt, who is preparing the study, to present the results and recommendations of the 2014 Disadvantaged Business Enterprise (“DBE”) Disparity Study and to comment on the relation to the pending litigation.

A Director inquired whether any interviewees participating in the study indicated that the Tollway vendor selection process seems subjective. Ms. Holt responded in the negative, specifying that DBEs responded most commonly, when addressing vendor selection, by requesting an ability to serve as prime contractor or consultant on Tollway projects.

A Director requested clarification of the significance of a DBE disparity ratio number reported for Tollway contracts. Ms. Holt responded that the overall disparity ratio reflects what percent of work is given to DBEs as compared to their availability in the marketplace. She added this is a core measure that courts assess in evaluating the constitutionality of a program.

A Director inquired regarding possible causes, in a competitive bid process, for the disparity in DBE utilization. Ms. Holt responded that the Study’s statistical analysis does not assess causes, but merely infers the existence of disparity. Anecdotally,

she heard a common complaint from prime contractors that DBE subcontractors demand higher prices, which, if true, may be a factor contributing to the disparity in utilization relative to availability.

Ms. Holt recommended against establishing separate DBE goals for each component category, observing that a hallmark of the Tollway's DBE program is that it is flexible in regards to what groups are included in the goal and how those goals can be met, and thus similar in structure to the federal program which has regularly been found constitutional.

Directors, staff and Ms. Holt then discussed potential causes for the disparity in utilization (relative to availability) of particular gender and ethnic categories and how the agency might focus efforts to address these disparities.

A Director asked for clarification of the Study's recommendation to "review experience requirement". Ms. Holt responded that this recommendation is for the agency to consider if DBE firm experience and suitability (prequalification) may be addressed using indicators other than those traditionally relied upon. Staff noted that while a requirement for prime contractors, subcontractors do not need to be Illinois Department of Transportation ("IDOT") prequalified.

A Director asked if the calculation for relative DBE availability looks at "all ready, willing, and able" DBEs, whether prequalified or not. Ms. Holt responded affirmatively.

Staff suggested that because the Tollway's qualification and bid submission requirements can be challenging, offering additional technical assistance services, as is planned, may be beneficial in helping DBEs participate as subcontractors and prime contractors on Tollway construction projects.

Lastly, discussion was held regarding the potential inclusion and format of a sunset provision in the Tollway's DBE policy. Staff noted this feature supports a finding of constitutionality.

Directors discussed land acquisition matters.

Staff updated the Board regarding land acquisition activities for the Elgin O'Hare Western Access Project ("EOWA"). Staff presented for consideration an Administrative Settlement with Prologis, Inc., and certain related entities, to acquire a grouping of five parcels (Group 1) consisting of approximately 28 acres. Staff stated the Tollway's external appraisers' aggregate valuation for these five parcels is approximately \$30 million. Staff further stated that as a result of additional

negotiation efforts, Prologis, Inc., has since reduced their settlement offer from \$39 million (noted in prior FAO Committee Executive Session) to \$36 million.

Staff, referring Directors to materials provided, then presented responses to questions raised at Committee, including those regarding size of the parcels (Group 1 and Group 2) identified for acquisition, sales figures available for comparable properties as well as company information on Prologis, Inc., their property holdings and vacancy rates on the EOWA corridor, and the relocation requirements of the Group 1 and Group 2 parcels. In reference to a question raised at Committee concerning mitigation or demolition costs associated with potential environmental issues, staff responded that, although not fully completed, soil borings have commenced on the Group 1 parcels with no environmental issues being identified to date. Staff further informed the Board that Illinois case law establishes that the Tollway may not introduce alleged environmental remediation costs in eminent domain litigation in determining the fair market value of the subject property.

Staff then addressed a question, raised at Committee, by confirming that the land acquisition budget established for EOWA can accommodate acquiring the Group 1 parcels through administrative settlement at the proposed price.

A Director inquired regarding the value Prologis, Inc. would pursue for the Group 1 parcels. Staff responded that Prologis, Inc. is asserting a value, based on market data they have compiled, of approximately \$47 million, plus inclusion of potential additional damage components that would raise this amount to approximately \$52 million. Staff remarked, however, that if the acquisition proceeds to court, Prologis, Inc. may assert a higher valuation.

Directors and staff then discussed potential environmental mitigation costs, related budgetary considerations and planning, and possible Tollway recourse.

The Board expressed consensus in support of authorizing the proposed Administrative Settlement with Prologis, Inc., to acquire five identified parcels (Group 1) for an amount not to exceed \$36 million.

Directors discussed collective bargaining.

Staff updated the Board on the status of collective bargaining negotiations with American Federation of State, County and Municipal Employees (“AFSCME”) Local 3883, detailing the current negotiating positions of both sides in regards to wage increases and health benefit costs. Staff observed that the parties’ positions remain widely apart.

A Director inquired whether AFSCME would be open to a “me-too” clause, accepting the health insurance terms offered non-union Tollway employees, as has been included in some previous labor contracts. Staff responded that the Tollway’s three larger unions have negotiated these terms, while “me-too” clauses have been adopted by the two smaller unions.

Discussion ensued regarding the current AFSCME position on health insurance premiums. Additionally, discussion continued on the Tollway’s Employee Health Benefit plan design for the 2015-2016 plan year, including premium increases and increases to out-of-pocket maximums and their net impact to the budget and to employees.

Staff then provided an update on the status of the collective bargaining negotiations with the International Brotherhood of Teamsters (“Teamsters”). Staff stated the agency has recently received the Teamsters first economic proposal and proceeded to summarize the contents for the Board.

Staff reaffirmed the agency’s negotiating strategy of attempting to achieve contract terms in line with recently completed collective bargaining agreements. Staff then presented for Board consideration a summary of three options developed, providing wage increases and contributions to health care costs in different combinations, to potentially offer the Teamsters in response to their economic proposal.

Directors and staff discussed the options presented, potential outcomes and costs associated with each, and their reasonableness when considering higher wage increases provided in the previous collective bargaining agreement as compensation for Tollway savings achieved by Teamster’s electing to participate in their own health plan. Additional options to offer Teamsters in response were also discussed.

Directors discussed personnel matters.

Staff stated that Paul Kovacs, Chief of Engineering, is seeking a waiver to the Tollway’s “Employment of Relatives by Tollway Vendors” Policy that will apply to any company for which his son works and which does, or seeks to do, business with the Tollway, provided certain safeguards (listed in a memorandum provided by Mr. Kovacs and to remain on file) are established. Staff detailed that Mr. Kovacs’ son, a recent engineering graduate, received an offer of employment by a Tollway vendor, Omega and Associates, and Mr. Kovacs now wishes to avoid any appearance of conflict by avoiding involvement in decisions about this company or any company for which his son works that does, or seeks to do, business with the Tollway. Staff also noted that the owner of Omega and Associates has indicated that Mr. Kovacs’ son will not be assigned to any Tollway projects. Staff further stated

that the Tollway Ethics Officer, given the safeguards laid out, is recommending this waiver be granted. Staff then requested Board input regarding the waiver request.

A Director requested confirmation that a waiver would not be needed had Mr. Kovacs' son only elected not to live in the same dwelling as Mr. Kovacs. Staff confirmed.

The Board expressed consensus in support of granting the waiver request.

Directors met with Executive Director Lafleur to discuss personnel matters.

Directors met without Executive Director Lafleur to discuss personnel matters.

There being no further questions, at approximately 1:15 p.m., Chair Wolff called for a motion to re-enter the public session of the Regular Board Meeting. Director Sweeney made the motion; seconded by Director Weisner. The motion was approved unanimously.

Minutes taken by: _____ /s/ on original
Christi Regnery
Board Secretary
Illinois State Toll Highway Authority

CONFIDENTIAL

This document contains confidential information of the Illinois State Toll Highway Authority (the "Tollway"). Access to and use of this information is strictly limited and controlled by the Tollway. This document may not be copied, distributed, or otherwise disclosed outside of the Tollway's facilities except under appropriate precautions to maintain the confidentiality hereof, and may not be used in any way not expressly authorized by the Tollway.

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF THE EXECUTIVE SESSION OF THE
REGULAR BOARD MEETING**

January 29, 2015

On January 29, 2015 at approximately 10:12 a.m., the Board of Directors met in Executive Session to discuss Tollway matters related to personnel matters, collective bargaining negotiations, acquisition of real property, and pending litigation, pursuant to Sections 2(c)(1), 2(c)(2), 2(c)(5), and 2(c)(11) of the Illinois *Open Meetings Act*.

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

Directors Present:

Chair Paula Wolff

Director James J. Banks

Director Earl Dotson, Jr.

Director David Gonzalez

Director Mark Peterson

Director Jeff Redick

Director Tom Weisner

Staff present for all or portions of the meeting:

Kristi Lafleur (Executive Director)

Michael Stone (Chief of Staff)

David Goldberg (General Counsel)

Joanne Fehn (Land Acquisition Manager)

Directors discussed Land Acquisitions.

Staff provided a summary table of the Elgin O'Hare Western Access Project ("EOWA") and the Jane Addams Memorial Tollway (I-90) parcel identification reports noting the addition of twelve parcels on the EOWA report, including three in DuPage County and nine in Cook County.

Directors discussed collective bargaining.

MAP: Staff reported that a tentative agreement has been reached with Metropolitan Alliance of Police (“MAP”) Chapter 336, comprised of seven civilian call-takers. Staff then provided a summary of key terms of the tentative agreement that include a four-year contract term with 2% annual wage increases and a doubling of the employee health insurance premium contribution by the final year (with exception of the Blue Advantage Plan) accomplished through a “me-too clause” accepting terms negotiated with Service Employees International Union (“SEIU”) Local 73. Staff continued that key terms additionally include termination of the use of non-revenue transponders for commuting purposes, provision for paid parental leave matching that provided for salaried employees, language modifications that address issues related to overtime, a training incentive, and financial incentives for bilingual call-takers. Staff informed the Board that the MAP bargaining unit recently voted to ratify the agreement and that staff will be presenting the Collective Bargaining Agreement with MAP for consideration and approval at the February Board of Directors meeting.

A Director inquired whether the terms of the tentative agreement include retroactive application of a wage increase. Staff responded that the previous agreement expired in October 2014 and a 2% wage increase would be effective retroactively beginning on November 1, 2014.

A Director commented favorably on the term reached limiting wage increases to 2% per annum. Staff concurred, observing that this level of wage increase is consistent with those accomplished by the agency in recently completed collective bargaining agreements and those of other municipal organizations.

Teamsters Local 700: Staff then updated the Board on negotiations with the International Brotherhood of Teamsters Local 700 (“Teamsters Local 700”), noting that the Teamsters Local Union No. 727 Benefit Funds (“Teamsters Benefit Fund”), which provides health insurance to members of Local 700, have withdrawn a previous demand requiring the Tollway agree to terms proposed by the Teamsters Benefit Fund or members would be removed from the health insurance as of January 1, 2015.

Directors and staff discussed the implications and costs of Teamsters participation in their own health insurance program versus the Tollway’s Employee Health Benefit Program as well as potential strategies and offsetting elements for Tollway counter-proposals. Staff advised that any potential new agreement on health insurance that involved Teamsters Benefit Fund would have to include a separate agreement directly with Teamsters Benefit Fund. Staff explained that the agreement sought would seek to require Teamsters Benefit Fund to comply with the terms of

the collective bargaining agreement and to provide coverage, even after expiration of a collective bargaining agreement, until a new agreement could be reached.

A Director inquired whether health benefits are the only remaining significant issue impeding agreement. Staff responded in the negative, clarifying that other issues remain to be negotiated.

A Director inquired how staff was approaching the previous wage increase provided when health costs were lowered under the Teamsters Benefit Fund plan. Staff responded that Tollway proposals factor in the previous wage increases provided in determining appropriate new across-the-board increases (if any) to offer in conjunction with any increased costs of health insurance.

A Director asked the length of the previous collective bargaining agreement with the Teamsters Local 700. Staff responded the previous contract with the Teamsters Local 700 was for three years, expiring September 30, 2014.

A Director asked the size of the Teamsters Local 700 bargaining unit. Staff responded the unit consists of approximately 437 employees, primarily equipment operator laborers and roadway maintenance workers.

Staff requested Board affirmation of current collective bargaining negotiation objectives including potentially accommodating Teamsters Local 700 participation in Teamsters Benefit Fund health insurance plan provided that a separate agreement is pursued with the Teamsters Benefit Fund and that the net cost of health benefit contributions and across-the-board increases are in keeping with terms achieved in recently completed labor agreements for other bargaining units. The Board expressed consensus in support of the stated collective bargaining negotiation objectives.

Staff announced that the Illinois Labor Relations Board (“ILRB”) recently released its decision on a petition filed by Teamsters Local 700 seeking to include certain Tollway employees in the bargaining unit. Staff reported that the ILRB administrative law judge ruled in favor of the Tollway’s assertion that twenty-two employees in the titles of Maintenance Section Manager and Maintenance Section Supervisor are in supervisory positions and thus excluded from the Illinois Public Labor Relations Act’s coverage. Staff further stated that the ILRB administrative law judge ruled that the Tollway failed to prove that the Sign Shop Manager, the Sign Shop Supervisor, the Road Electric Manager, the Central Garage Supervisor and two Central Garage Managers (comprising six of the twenty-eight petitioned-for employees) should be excluded from the petitioned-for unit because they are

supervisory employees. Staff added that the order is currently being reviewed by the Legal department for potential appeal.

A Director inquired about the next step in the process. Staff responded that both parties have 14 days to appeal the order after which time the ILRB will consider ratification of the administrative law judge's decision.

AFSCME: Staff then updated the Board on negotiations with the American Federation of State County Municipal Employees ("AFSCME"), reporting that negotiations continue with no significant developments.

A Director inquired about the relative sizes of the three largest bargaining units. Staff responded that the Service Employees International Union ("SEIU") bargaining unit consists of approximately 560 employees, the Teamsters bargaining unit consists of approximately 437 employees and the AFSCME bargaining unit consists of approximately 280 employees.

Lastly, staff stated that the provider of Teamsters Benefit Fund has communicated an intent to discontinue Teamster employees' coverage effective March 31, 2015 if an agreement is not reached by that date. Staff further stated that, should the parties fail to reach agreement prior, an open enrollment period would need to commence by February 15, 2015 in order to allow Teamsters Local 700 members to join the Tollway's Health Benefits Program for an effective date of April 1, 2015. Directors expressed consensus in support of initiating a benefits open enrollment period by February 15, which provides appropriate time to process plan changes and allows the Tollway to meet its obligation to provide health insurance coverage to all employees.

Directors discussed litigation matter.

Staff provided an update on the case of *Carollo v. Tollway and Village of Schiller Park*, a suit emanating from a sledding collision with a raised water main pipe (owned by Schiller Park) on Tollway property. Staff reminded the Board that an agreement was previously reached with the Village of Schiller Park that would assign the Village a 75% share, and the Tollway a 25% share, of responsibility for any settlement agreement reached through mediation. Staff reported that a settlement agreement has been reached for \$150,000, the Tollway's share of which is \$37,500. Staff expressed satisfaction with the settlement amount and informed the Board that approval for payment is expected to be sought at the February Board of Directors meeting.

Directors met with Executive Director Lafleur to discuss personnel matters.

Directors met without Executive Director Lafleur to discuss personnel matters.

There being no further questions, at approximately 10:55 a.m., Chair Wolff called for a motion to re-enter the public session of the Regular Board Meeting. Director Weisner made the motion; seconded by Director Peterson. The motion was approved unanimously.

Minutes taken by: _____ /s/ on original
Christi Regnery
Board Secretary
Illinois State Toll Highway Authority