

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF THE
FINANCE ADMINISTRATION OPERATIONS
COMMITTEE MEETING**

December 12, 2012

The Illinois State Toll Highway Authority held a Finance Administration Operations (FAO) Committee Meeting on Wednesday, December 12, 2012 at approximately 8:40 a.m. at the Central Administration Building in Downers Grove, Illinois.

Committee Members Present:

Committee Chair Mark Peterson

Director David Gonzalez

Chair Paula Wolff (Ex-officio member)

Not Present:

Director Terry D'Arcy

Committee Chair Peterson called the meeting to order and opened the floor for public comment. No public comment was offered.

Committee Chair Peterson then called for a motion to approve the minutes of the Finance Administration Operations Committee Meeting and Executive Session held on Wednesday, November 14, 2012. Chair Wolff made the motion to approve the minutes; seconded by Committee Chair Peterson. Director Gonzalez abstained from voting because he was not present at the last meeting. The motion was approved unanimously by the remaining Directors.

EXECUTIVE DIRECTOR

2013 Debt Management Plan Presentation

Executive Director Kristi Lafleur introduced Mike Colsch, Chief of Finance, to present the 2013 Debt Management Plan as shown in the [attached presentation](#).

A discussion ensued regarding the impact of the purchasing act on finalizing the process of securing the underwriting pool and bond rate details.

Committee Chair Peterson called on Mr. Colsch, Chief of Finance, to present the following **Finance** items:

Item 1: Approval of the Employee Health Benefit Programs with Blue Cross Blue Shield of Illinois for the 2013 – 2014 plan year.

Item 2: Renewal of Contract 11-0195 with RSUI Indemnity Company and Chubb Insurance Company through Mesirow Insurance Services for the Property Insurance Program for the combined annual premium of \$741,088 (Tollway RFP). (Recusal by Director Redick)

Item 3: Authorize the issuance of up to \$1 billion of revenue bonds to finance a portion of costs related to the Move Illinois Capital Program.

Director Gonzalez asked for clarification on the process to select members of the underwriting pool and minority participation goals. Mr. Colsch and Executive Director Lafleur further explained the process and timeline.

Item 4: Authorize extensions of the Standby Bond Purchase Agreements for the Authority's \$191.5 million Series 2008A-1a Bonds and \$95.8 million Series 2008A-2 Bonds.

Item 5: Extension of authorization to issue up to \$570.7 million of refunding revenue bonds to refund a portion of the Authority's outstanding synthetic fixed rate bonds.

Item 6: Approval of the 2013 Final Budget.

Director Gonzalez made a motion for approval of **Finance Items 1-6**; seconded by Chair Wolff. The motion was approved unanimously.

Committee Chair Peterson called on Mr. Donato, Chief of Procurement, to present the following **Procurement** items:

Item 1: Renewal of Contract 11-0127 to 3M Company for the purchase of Reflective Sheeting in an amount not to exceed \$350,000.00 (Order Against CMS Master Contract).

Item 2: Award of Contract 12-0001 to Miles Chevrolet, Inc. for the purchase of Police Pursuit Vehicles in an amount not to exceed \$2,021,407.00 (Order Against CMS Master Contract).

Item 3: Award of Contract 13-0019 to Prairie International, Inc. for the purchase of Snow Plow Trucks in an amount not to exceed \$1,603,633.07 (Order Against CMS Master Contract).

A discussion ensued on the replacement criteria for police pursuit vehicles. Further information was provided to the Board on the Highway Emergency Lane Patrol Program Sponsorship.

Item 4: Award of Contract 11-0102RR to Travelers Marketing LLC for the purchase of Highway Emergency Lane Patrol (H.E.L.P.) Program Sponsorship. The sponsorship is expected to generate \$1,803,000.00 in Tollway income over three years. (Tollway Invitation for Bid).

Item 5: Renewal of Contract 11-0038R to Advanced Waterjet Technologies LLC for the purchase of Refurbishing Services for Aluminum Sign Blanks and Extrusions in an amount not to exceed \$93,730.00 (Tollway Invitation for Bid).

Item 6: Renewal of Contract 11-0144 to DisposAll Waste Services LLC for the purchase of Scrap Tire Removal Services in an amount not to exceed \$36,500.00 (Tollway Invitation for Bid).

Item 7: Renewal of Contract 08-0001 to Meade Electric Company, Inc. for the purchase of Traffic and Security Monitoring and Management System Maintenance in an amount not to exceed \$1,000,000.00 (Tollway Request for Proposal).

Director Gonzalez made a motion for approval of **Procurement Items 1-7**; seconded by Chair Wolff. The motion was approved unanimously.

Committee Chair Peterson called on Greg Stukel, Deputy Chief of Engineering, to present the following **Engineering** Items:

Item 1: Award of Contract I-12-4064 to Homer Tree Service, Inc. for Tree Removal Contract A on the Tri-State Tollway (I-294) at I-57 Interchange from Milepost 7.6 to Milepost 7.75, in the amount of \$155,686.00.

Item 2: Award of Contract I-12-4065 to Homer Tree Service, Inc. for Tree Removal Contract B on the Tri-State Tollway (I-294) at I-57 Interchange from Milepost 7.6 to Milepost 8.05, in the amount of \$140,007.90.

Item 3: Award of Contract I-12-4069 to Lorig Construction Company for Mosquito Creek Bridge Widening and Reconstruction on the Jane

Addams Memorial Tollway (I-90) at Milepost 27.4, in the amount of \$3,292,156.98.

Chair Wolff asked about the difference between the projected project budget and the actual award amount. Mr. Stukel responded that the lower actual award amount can be attributed to the competitive market in the construction industry.

Item 4: Award of Contract I-12-4071 to Aldridge Electric, Inc. for Temporary Lighting and Advance ITS Construction on the Jane Addams Memorial Tollway (I-90) from Milepost 17.6 (Mill Road) to Milepost 53.5 (Elgin Toll Plaza), in the amount of \$2,771,126.97.

Item 5: Award of Contract RR-12-5655 to Meade, Inc. for Underpass Lighting Replacement on the Veterans Memorial Tollway (I-355) and the Reagan Memorial Tollway (I-88) from Milepost 19.9 to Milepost 20.1, in the amount of \$2,749,160.96.

Item 6: Award of Contract I-12-4068 to Lorig Construction Company for Coon Creek Bridge Widening and Reconstruction on the Jane Addams Memorial Tollway (I-90) at Milepost 34.8, in the amount of \$4,432,201.50.

Committee Chair Peterson asked whether Lorig has the capacity to complete each of the projects awarded to them this month. Mr. Stukel responded that Lorig is pre-qualified through IDOT as having “super unlimited” capacity.

Item 7: Award of Contract I-12-4077 to Plote Construction, Inc. for Widening and Reconstruction on the Eastbound Jane Addams Memorial

Tollway (I-90) from Milepost 49.7 (Union Pacific Railroad) to Milepost 53.6 (Elgin Toll Plaza), in the amount of \$32,409,437.38.

Item 8: Award of Contract I-12-4070 to Lorig Construction Company for Eastbound Bridge Widening and Reconstruction on the Jane Addams Memorial Tollway (I-90) at Milepost 18.3 (Kishwaukee River), in the amount of \$8,677,437.90.

Item 9: Acceptance of Proposal from Globetrotters Engineering Corporation on Contract I-12-4051 for Construction Management Services for Reconstruction and Widening on the Jane Addams Memorial Tollway (I-90) from Milepost 17.4 (I-39) to Milepost 56.1 (Illinois Route 25), in an amount not to exceed \$8,742,408.73. (Recusal by Director Peterson)

Item 10: Acceptance of Proposal from Harry O. Hefter Associates, Inc. / AES Services, Inc., Joint Venture on Contract I-12-4050 for Construction Management Services for Reconstruction and Widening on the Jane Addams Memorial Tollway (I-90) from Milepost 17.4 (I-39) to Milepost 56.1 (Illinois Route 25), in an amount not to exceed \$13,672,404.41.

Item 11: Renewal of Contract RR-10-9973 with AECOM Technical Services, Inc. for Consulting Engineer Services Systemwide, in the amount of \$14,125,493.33 from \$22,765,478.00 to \$36,890,971.33. (Recusal by Director Peterson)

Item 12: Change Order/Extra Work Order on Contract RR-11-5627 to Curran Contracting Company for Hot Mix Asphalt Repairs on the Jane Addams Memorial Tollway (I-90) from Milepost 15.0 (Business U.S. 20

Ramp) to Milepost 77.9 (I-294 Tri-Level Bridge), in the amount of \$336,824.93.

Item 13: Final Release of Retainage on Contract RR-10-5613 to Herlihy Mid-Continent Company for Bridge Rehabilitation on the Tri-State Tollway (I-80/I-294) from Milepost 0.0 (I-94/IL-394) to Milepost 5.3 (167th Street); and on the Tri-State Tollway (I-94) at Milepost 15.2 (Atkinson Road) in the amount of \$30,275.35.

Chair Wolff asked about the circumstances under which the DBE waiver was granted. Mr. Stukel responded that revised project staging significantly reduced the need for night time lane closures which impacted the need for services originally designated for DBE contractors including marking and taping, temporary information signage and supplemental maintenance of traffic. These changes impacted the vendor's performance on the DBE goals.

Chair Wolff asked if it would be useful to review whether the type of work granted to DBE firms impacts whether it is ultimately included in the final work.

Ms. Lafleur suggested that staff provide a report to the Committee in January on the number of DBE waivers that have been granted over the past year and the circumstances under which they were granted. She indicated that this will help the Committee confirm whether the pattern described by Chair Wolff has emerged and what steps can be taken to change the pattern if deemed necessary.

Item 14: Final Release of Retainage on Contract RR-09-9056 to John Burns Construction Company for New Salt Storage Facility on the Tri-

State Tollway (I-294) at Maintenance Facility 1 (M-1), Milepost 12.0, in the amount of \$199,025.55.

Director Gonzalez expressed concern about approving Items 7 and 8 for the Board Consent Agenda without having diversity detail for each of those Items. Ms. Lafleur asked whether it would be acceptable to move these items to the consent agenda and make approval by the entire board contingent on whether the diversity detail is ready for discussion at the Board meeting. Director Gonzalez agreed.

Chair Wolff made a motion for approval of **Engineering Items 1-6**; seconded by Director Gonzalez. The motion was approved unanimously.

Engineering Items 7 and 8 were deferred to the full board for consideration.

Director Gonzalez made a motion for approval of **Engineering Item 9**; seconded by Chair Wolff. The motion was approved unanimously.

Director Gonzalez made a motion for approval of **Engineering Item 10**; seconded by Chair Wolff. The motion was approved unanimously.

Director Gonzalez made a motion for approval of **Engineering Item 11**; seconded by Chair Wolff. The motion was approved unanimously.

Director Gonzalez made a motion for approval of **Engineering Item 12**; seconded by Chair Wolff. The motion was approved unanimously.

Director Gonzalez made a motion for approval of **Engineering Items 13-14**; seconded by Chair Wolff. The motion was approved unanimously.

Committee Chair Peterson called on David Goldberg, General Counsel, to present the following **Legal** items:

Item 1: An Intergovernmental Agreement with the Illinois Department of Transportation (Rt. 59). Cost to the Tollway: Estimated at \$13,213,590.

Item 2: Approval of Bond Counsel Assignment.

Director Gonzalez made a motion for approval of **Legal Items 1-2**; seconded by Chair Wolff. The motion was approved unanimously.

At approximately 10:15 a.m. David Goldberg, General Counsel, indicated the need to discuss real estate acquisition matters and collective bargaining in Executive Session pursuant to Section 2(c)(2) and 2(c)(5) of the Open Meetings Act. Chair Wolff made the motion to enter into Executive Session; seconded by Director Gonzalez. The motion was approved unanimously.

At approximately 10:30 a.m., the Committee re-entered the public session of the Finance Administration Operations Committee meeting.

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

The meeting was adjourned at approximately 10:30 a.m.

A handwritten signature in black ink, appearing to read "Marlene Vick", written over a horizontal line.

Minutes taken by: _____

Marlene Vick

Assistant Board Secretary

Illinois State Toll Highway Authority



2013 DEBT ISSUANCE AND MANAGEMENT
December 2012

Funding the *Move Illinois* Program

- \$12.1 billion over 15 years for *Move Illinois*
- Estimated \$5 billion will be financed with debt
- Plan calls for \$3 billion debt to be issued between 2013–2016
- Cost of borrowing planned to be in 5-6 percent range
- Current revenues finance remaining costs of the program



Market Considerations

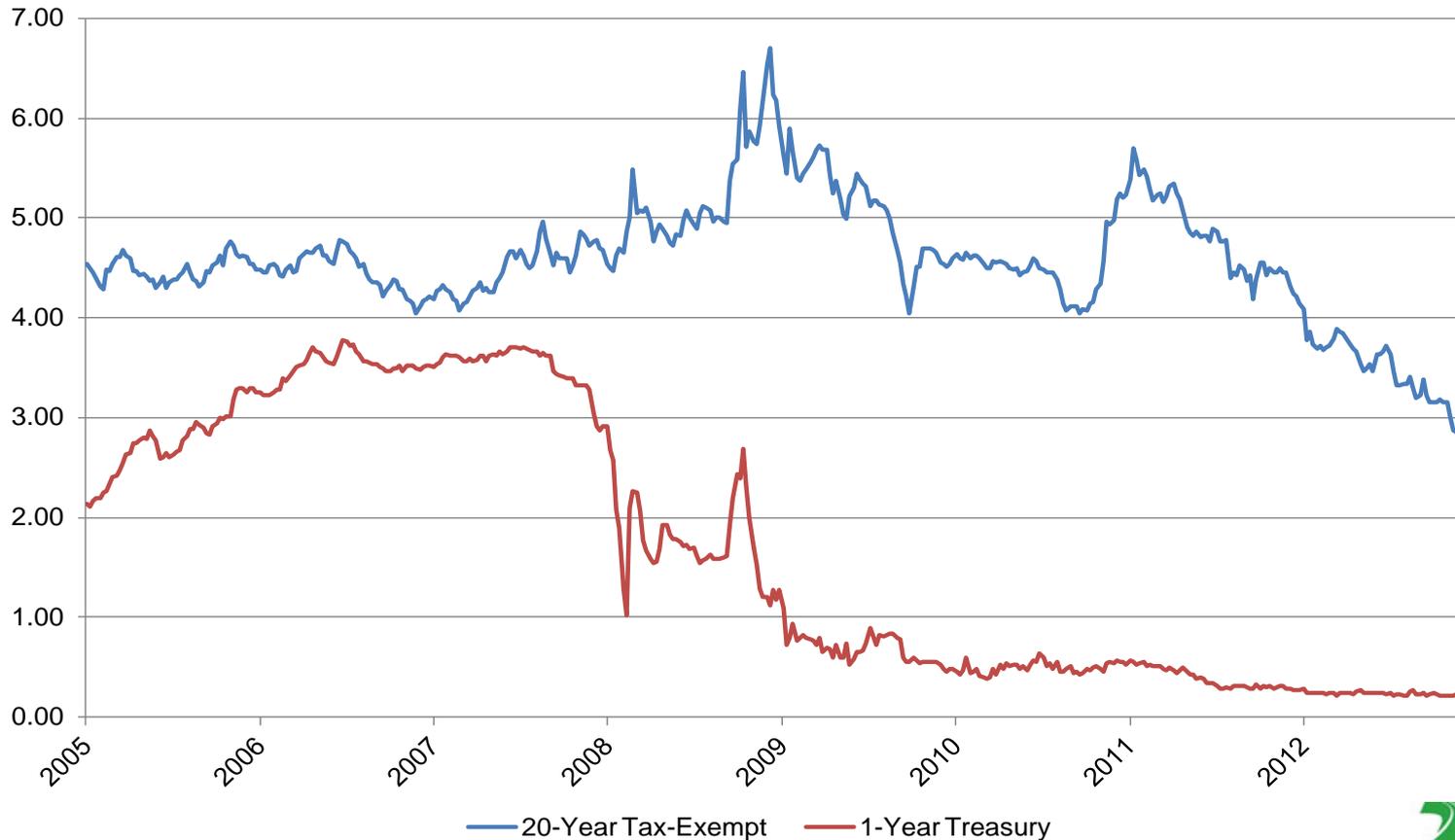
- The Tollway needs to issue in first quarter of 2013 to accommodate cash flow needs of the *Move Illinois* Program
- Long-term tax-exempt borrowing rates are near historic lows; estimated current Tollway rate for 25-year bonds is 3.00-3.50 percent
- Short-term investment rates are very low, making it less attractive to issue bonds earlier than required by project schedules and cash flow needs
- Changing regulatory environment will impact cost and availability of liquidity/credit support for variable rate bonds
- Seeking authorization to issue as much as \$1 billion of fixed rate bonds during 2013



Low Investment Returns

Low investment return increases cost of issuing in advance of need (“negative arbitrage”)

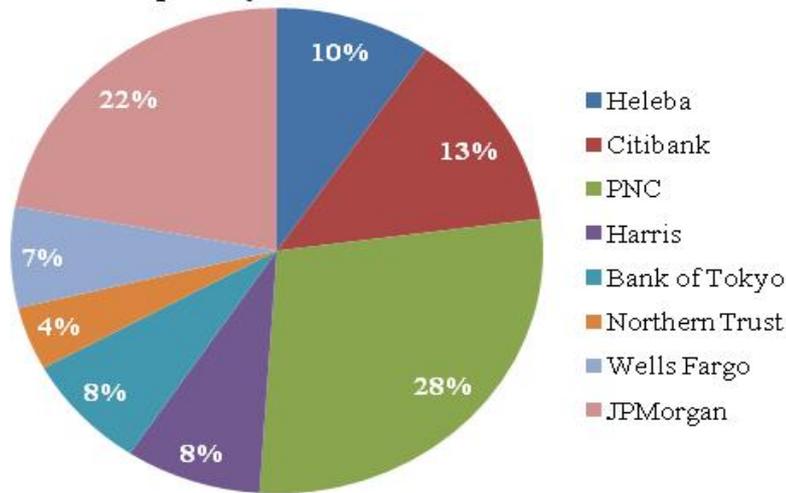
Estimated Borrowing Rate (20 year Tax-Exempt) vs Short-Term Investment Rate (1 year UST)
2005 to Current



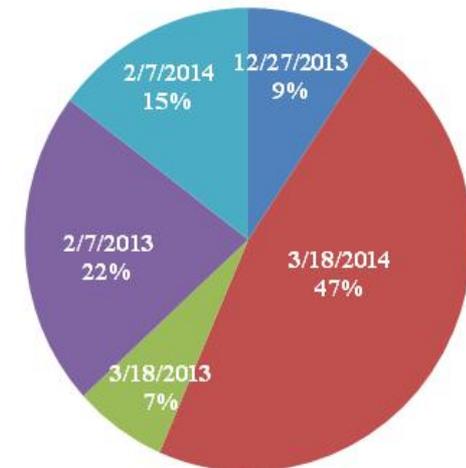
Manage Liquidity Agreement Extensions/Replacements

| Series | Provider | Expiration | Principal | Fee | Annual Fee |
|---------|----------------|------------|------------------------|-------|--------------------|
| 1998B | Heleba | 12/28/2013 | \$123,100,000 | 0.53% | \$786,814 |
| 2007A-1 | Citibank | 1/31/2014 | 175,000,000 | 0.75% | 1,358,073 |
| 2007A-1 | PNC | 3/18/2014 | 175,000,000 | 0.75% | 1,355,339 |
| 2007A-2 | Harris | 3/18/2014 | 107,500,000 | 0.75% | 821,160 |
| 2007A-2 | Bank of Tokyo | 3/18/2014 | 100,000,000 | 0.75% | 763,870 |
| 2007A-2 | Northern Trust | 3/18/2014 | 55,000,000 | 0.70% | 392,120 |
| 2007A-2 | Wells Fargo | 3/18/2013 | 87,500,000 | 0.85% | 768,025 |
| 2008A-1 | JPMorgan | 2/7/2013 | 191,500,000 | 0.75% | 1,472,954 |
| 2008A-1 | PNC | 2/7/2014 | 191,600,000 | 0.75% | 1,453,063 |
| 2008A-2 | JPMorgan | 2/7/2013 | 95,800,000 | 0.75% | 736,862 |
| | | | \$1,302,000,000 | | \$9,928,461 |

Liquidity Providers



Liquidity Expiration Dates



Prospects for Refunding Additional Synthetic Fixed Rate

Refunding prospects improve as spread between yield curves declines



Hedging Considerations

- Long-term tax-exempt rates are near historic lows; estimated current Tollway rate for 25-year bonds is 3.00-3.50 percent
- The Tollway's financial plan is currently un-hedged and exposed to interest rate risk
 - Assuming \$5 billion in bond financings with an average life of 29 years, each 1 basis point rise in rates would increase the present value of debt by approximately \$7 million

Actions Proposed for 2013

- Issue \$1 billion of traditional fixed rate tax-exempt bonds to finance *Move Illinois* projects (two series – first and third quarters)
- Manage extension or replacement of bank liquidity agreements supporting 1998 Series B, 2007 Series A and 2008 Series A Bonds. Current agreements expire between December 2012 and March 2014.
- Continue to monitor opportunities to refinance or restructure synthetic fixed rate 1998 Series B, 2007 Series A and 2008 Series A Bonds into traditional fixed rate or other structures that reduce risks associated with third-party liquidity/credit agreements
- Review opportunities to hedge future borrowing costs for *Move Illinois* Program





THANK YOU