

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

October 19, 2011

The Illinois State Toll Highway Authority held a Finance Administration Operations Committee Meeting on Thursday, October 19, 2011 at approximately 8:15 a.m. at the Central Administration Building in Downers Grove, Illinois.

Directors on the Committee in attendance were as follows:

Committee Chair Maria Saldaña

Director Tom Canham

Director Bill Morris (arrived at 8:30 a.m.)

Committee Chair Saldaña called the meeting to order and called for a motion to approve the minutes of the Finance Administration Operations Committee meeting and Executive Session held on September 21, 2011. Director Canham made the motion to approve; seconded by Director Saldaña. The motion was approved unanimously.

Committee Chair Saldaña called on Joe Kambich, Chief of Information Technology, to present the following:

Item 1: Award of Contract 11-0348 to Dell Marketing LP for Dell branded Intel based blade servers and associated equipment, for Disaster Recovery Project, in an amount not to exceed \$925,000 (CMS Master Contract).

Item 2: Award of Contract 11-0349 to CDW-G for Purchasing Microsoft licensing for Disaster Recovery Project, in the amount not to exceed \$91,476.10 (CMS Master Contract).

Regarding Item 1, Director Canham asked whether the new toll increase will require more IT changes. Executive Director Lafleur indicated that there will be programming changes related to the toll increase but not equipment changes. Mr. Kambich indicated that Item 1 provides for replacement of the current equipment to expand storage capacity. Also the current equipment is approaching end of life and will not be supported by the manufacturer going forward. Director Saldana asked where the equipment would be located. Mr. Kambich indicated that half of the equipment would be located in Central Administration and the other half will be located in the DeKalb facility.

Director Canham moved for approval; seconded by Director Saldaña. The motion was approved unanimously. Committee Chair Saldaña called on Sharon Ferguson, Procurement and Warehouse Services Manager, to present the following **Procurement** items:

Item 1: Award of Contract No. 11-0112 to Neher Electric Supply for Lamps – Large, in an amount not to exceed \$35,000.00 (CMS Master Contract).

Item 2: Award of Contract No. 11-0127 to Minnesota Mining & Manufacturing Company for Reflective Sheeting, in an amount not to exceed \$700,000.00 (CMS Master Contract).

Item 3: Award of Contract No. 11-0179 to Vega Molded Products Incorporated and AKT Corporation for Roadway Reflectors, in an amount not to exceed \$41,000.00 (CMS Master Contract).

Item 4: Award of Contract No. 11-0216 to Seville Staffing LLC for Temporary Staffing Services, in an amount not to exceed \$135,000.00 (CMS Master Contract).

Regarding Item 4, Director Saldaña asked whether the 100% DBE participation noted on the item summary indicates that the vendor is a DBE firm. Ms. Ferguson responded yes. Executive Director Lafleur asked that future item summary sheets indicate whether a contract awardee is a DBE firm.

Item 5: Award of Contract No. 11-0344 to Hewlett Packard for Hewlett Packard Servers for GIS Upgrade, in an amount not to exceed \$58,376.04 (CMS Master Contract).

Item 6: Award of Contract No. 11-0355 to Motorola Solutions, Incorporated for Starcom21 Radio User Fees, in an amount not to exceed \$212,583.00 (CMS Emergency Master Contract).

Regarding Item 6, Director Saldaña noted that this is a CMS Emergency Contract and asked why it is designated as such. Ms. Ferguson responded that Central Management Service (CMS) is currently in a sole source negotiation with Motorola to continue providing this radio service. To avoid a lapse in service, CMS issued an Emergency Contract.

Item 7: Award of Contract No. 11-0074 to Power-Motive, Incorporated and Myers Tire Supply, Incorporated for Miscellaneous Garage & Shop Supplies, in an amount not to exceed \$38,000.00 (CMS for Tollway).

Item 8: Award of Contract No. 11-0097 to Triangle Radiator Services, Incorporated for Radiator Repair Services, in an amount not to exceed \$37,000.00 (CMS for Tollway).

Item 9: Award of Contract No. 11-0128 to Westside Tractor Sales for ten (10) Tandem Axle Flatbed Trailers, in an amount not to exceed \$175,950.00 (CMS for Tollway).

Director Canham moved for approval; seconded by Director Saldaña. The motion was approved unanimously.

Item 10: Award of Contract No. 11-0138 to HCI Transportation Technologies, Incorporated for one (1) Tandem Axle Dump Trailer, in an amount not to exceed \$39,920.00 (CMS for Tollway).

Item 11: Renewal to Contract No. 10-0002R to Jack Phelan Dodge for Mopar Replacement Parts, increasing the contract dollar limit by \$29,000.00 from \$24,900.00 to \$53,900.00 (Tollway IFB).

Item 12: Renewal to Contract No. 10-0009 to Comade, Incorporated for Laminates, increasing the contract dollar limit by \$11,535.60 from \$24,308.40 to \$35,844.00 (Tollway IFB).

Item 13: Renewal to Contract No. 05-0093 to Interfleet, Incorporated for Automated Vehicle Tracking/Locating System (AVL), increasing the contract dollar limit by \$130,000.00 from \$1,102,750.00 to \$1,232,750.00 (Tollway RFP).

Director Canham moved for approval; seconded by Director Saldaña. The motion was approved unanimously.

Item 14: Renewal to Contract No. 09-0155 to Transnet Investigative Services, Incorporated, G4S Compliance & Investigations and Idea Builder/L & W Investigations, Incorporated for FMLA Surveillance Services, increasing the contract dollar limit by \$15,000.00 from \$22,998.00 to \$37,998.00 (Tollway RFP).

Director Morris moved for approval; seconded by Director Canham. The motion was approved unanimously.

Ms. Lafleur introduced Mike Colsch, Chief of Finance, to present the 2012 Tentative Budget. She noted that a three month operating reserve had been added to the 2012 Budget based on feedback from Director Morris earlier this year.

Mr. Colsch indicated that the tentative 2012 Budget is presented to the Board as required by the trust indenture to give the public and investors an early view of the Tollway's expected revenues, capital needs and debt service for 2012. In November, a public review/comment period on the Budget is held, changes can be incorporated based on that feedback and the public comments are provided to the Board. In December, the Board will vote to approve the 2012 Budget.

Mr. Colsch indicated that the 2012 Tentative Budget reflects: increased revenues due to the toll increase scheduled for passenger vehicles effective January 2012; expenditures related to the newly approved Move Illinois Capital Program; and an increased allocation to the Operating Reserve as recommended by the Board. The Budget accommodates the Tollway's strategic priorities of public safety, customer service, transparency and accountability and green initiatives. Revenue is allocated to Maintenance and Operations (M&O) Account,

Renewal and Replacement and Improvement Accounts and Debt Service Accounts. He reviewed the 2012 Revenue Sources and Allocation with expected revenues totaling \$973 million based on the scheduled toll increase and slow growth in the economy. Director Morris asked about the current Operating Reserve and the impact of the 2012 allocation. Mr. Colsch responded that the Operating Reserve is currently \$17 million and will grow to \$29 million with the 2012 budget allocation.

Mr. Colsch indicated that there will be a 4.3 percent increase (or \$4.4 million) in the 2012 M&O Budget compared to 2011. More than half of that increase is attributed to credit card fees related to increased toll revenue collection. Director Canham asked whether staff has considered negotiating lower fees with credit card providers based on the increased volume of business expected in 2012. Ms. Lafleur indicated that staff is currently in negotiations with American Express which has the highest fees. She also noted that staff is exploring partnering with other state agencies to negotiate lower fees with the bank card providers.

Director Saldaña noted that the revenue projection provided by Wilbur Smith and Associates (WSA) is higher than the revenue projection provided in the 2012 budget and asked for an explanation of the difference. Mr. Colsch explained that the estimate provided by WSA does not take into account non-payment and toll collection rates. Those factors are estimated by Tollway staff and reflected in the revenues in the 2012 Tentative Budget. **Director Morris suggested that this information should be footnoted in the 2012 Budget presentation going forward.**

Mr. Colsch then reviewed other M&O Budget increases including: State Employee Retirement System (SERS) pension contribution rates; customer call center activity, transponder distribution and collections

rates; and fuels and oils costs. Mr. Colsch also noted reductions in the 2012 M&O Budget due to decreases in: the reserve needed for worker's compensation insurance, utility costs and contracted maintenance service.

Director Canham asked whether the \$11 million increase in debt service transfer costs for 2012 was due solely to new bonds that will be issued for the Move Illinois Capital Program. Mr. Colsch responded that most of the increase was due to the capital plan funding. However, \$4 million of the increase is an allocation for possible refunding costs for synthetic fixed rate bonds.

Mr. Colsch reviewed the Tollway headcount trend and indicated that the expected headcount for 2012 will remain at the current level – 1598 employees. Ms. Lafleur indicated that staff will be added to Engineering to facilitate the Move Illinois Capital Plan. However, those additions will be offset by the elimination of vacant positions in the Toll collection area. She also noted that staff will consider the pros and cons of utilizing contract staff versus full-time employees on a case-by-case basis to support the new Capital Plan.

Director Canham asked whether the staff had considered hiring experienced professionals independently on a temporary basis rather than through a larger contractor to reduce costs. Mike Stone, Chief of Staff, noted that the IRS has strict regulations on categorizing employees as 'contract' employees. Paul Kovacs added that staff is considering whether there are long-term functional needs for a position prior to deciding whether to fill the position internally or with a contractor.

Mr. Colsch then reviewed a summary of the capital expenditures for the Capital Program and each of the major projects including: \$156 million

for the Tri-state Tollway project; \$90.5 million for the Reagan Memorial Tollway project; \$23.7 million for the Veterans Memorial Tollway project; and \$133.3 million for system-wide projects.

Mr. Colsch then reviewed the 2012 Debt Service details which are highlighted in the attached [presentation](#). He then ended the presentation by noting that a public hearing on the 2012 Budget will be held on November 15 at 6:00 p.m. at Central Administration and an Open House on November 16 from 3:00 to 6:00 p.m. at the Chicago Southland Lincoln Oasis. Both events are designed to solicit feedback from the public.

Committee Chair Saldaña then called for a motion to approve the 2012 Tentative Budget. Director Morris moved for approval; seconded by Director Canham. The motion was approved unanimously.

Committee Chair Saldaña called on Mike Colsch, Chief of Finance, to present the following agenda items:

Item 1: Ninety-day Extension of the Property Insurance Program for the period of December 1, 2011 through February 28, 2012 in the amount of \$169,995.

Director Morris moved for approval; seconded by Director Canham. The motion was approved unanimously.

Item 2: Renewal of the bond underwriting/remarketing pools established by RFP#09-0160 for a period of one year commencing November 5, 2011 through November 4, 2012.

Director Saldaña suggested that a memo be sent to the Board informing them that staff continues to monitor the market to

determine whether refunding the synthetic rate bonds is warranted based on the criteria provided by AC Advisory.

Director Morris moved for approval; seconded by Director Canham. The motion was approved unanimously.

Item 3: Extension of the authorization to issue up to \$570.7 million refunding bonds to refund a portion of the Tollway's synthetic fixed rate bonds from November 4, 2011 to December 31, 2012.

Director Morris moved for approval; seconded by Director Canham. The motion was approved unanimously.

Committee Chair Saldaña called on Paul Kovacs, Engineering Chief, to present the following:

Item 1: Award of Contract No. RR-11-9117 to GFS Fence Guardrail and Signage, Inc. for Sign Fabrication and Installation Upon Request Systemwide in the amount of \$943,954.50.

Director Morris moved for approval; seconded by Director Canham. The motion was approved unanimously.

Item 2: Proposal from PB Americas on Contract RR-09-5585 for Supplemental Design Services for Roadway and Bridge Rehabilitation on the Tri-State Tollway (I-294) Milepost 30.0 (Cermak Road Plaza 35) to Milepost 36.5 (Wolf Road) in the amount of \$175,529.60 from \$3,600,000 to \$3,775,529.60.

Item 3: Proposal from DB Serlin Consultants, Inc. on Contract I-09-5599 for Supplemental Construction Management for Roadway Improvements on the Tri-State Tollway (I-294) from Milepost 1.1 (Lincoln Oasis) to Milepost 52.9 (Lake Cook Road) and on the Tri-State

Tollway (I-94) at Milepost 1.2, formerly Milepost 77.2, (Russell Road) in the amount of \$23,388.40 from \$520,678.59 to \$544,066.99.

Director Canham moved for approval; seconded by Director Morris. The motion was approved unanimously.

Item 4: Continuation of Services to Contract RR-09-5602 with HNTB Corporation for Program Management and Technical/Administrative Services Systemwide in the amount of \$8,475,781 from \$12,665,369 to \$21,141,150.

Item 5: Renewal of Contract RR-09-9071 with Applied Research Associates, Inc. for Pavement and Roadway Management Services and Quality Assurance Testing Systemwide in the amount of \$2,625,000 from \$2,398,000 to \$5,023,000.

Mr. Kovacs referenced the attached [slides](#) to explain how the amount allocated for PMO services is directly related to the amount of capital expenditures.

Regarding Engineering Item 4, Director Morris commented that staff indicated to him that this will be the last renewal of this contract and that advertisement for a new PMO contract will be issued within the next couple of months to allow transition time from the current to the new service. **Director Saldaña suggested that Engineering/Planning should prepare a presentation for the Finance Committee about the various components and roles needed for the capital plan implementation.**

Director Morris moved for approval; seconded by Director Canham. The motion was approved unanimously.

Item 6: Final Release of Retainage on Contract No. I-07-5241 to Plote Construction, Inc. for Roadway and Bridge Reconstruction on the Northbound Tri-State Tollway (I-294) from Milepost 44.5 (Dempster Street) to Milepost 48.3 (Willow Road) in the amount of \$75,000.

Item 7: Final Release of Retainage on Contract I-10-5604 to Lorig Construction Company for Roadside Improvements on the Jane Addams Memorial Tollway (I-90) Milepost 61.0 (Cherry Valley Interchange) to Milepost 76.5 (Rockton Road) in the amount of \$111,406.90.

Item 8: Final Release of Retainage on Contract RR-10-5605 to William Charles Construction Company, LLC for Intermittent Pavement Repairs on the Reagan Memorial Tollway (I-88) Milepost 44.0 (Rock Falls) to Milepost 122.0 (EJ&ERR) in the amount of \$120,170.87.

Item 9: Final Release of Retainage on Contract RR-10-5606 to R.W. Dunteman Company for Pavement and Bridge Joint Repairs Systemwide in the amount of \$166,361.40.

Mr. Kovacs noted that the vendors for Items 8 and 9 received sanctions for violating the DBE policy for notification of DBE goal changes. The William Charles Construction Company received a \$10,000 sanction and the R.W. Dunteman Company received a \$5,000 sanction. Director Canham asked how the sanction amounts are assessed. Mr. Kovacs indicated that the current policy does not specify possible sanction amounts. **Director Canham commented that the sanctions should not be subjective and suggested that the policy be updated to specify sanction amounts.** Mr. Kovacs noted that this sanction is only the third sanction issued by the Tollway since the DBE program was initiated.

Item 10: Final Release of Retainage on Contract RR-10-5611 to William Charles Construction Company, LLC, (formerly known as Rockford

Blacktop Construction Company) for Ramp Rehabilitation on the Reagan Memorial Tollway (I-88) Milepost 76.1 (IL Route 251 Interchange – NE and SE Ramps) in the amount of \$63,044.30.

Item 11: Final Release of Retainage on Contract I-08-7727R to Christy Webber & Company for Corridor Landscaping on the Veterans Memorial Tollway (I-355) Milepost 0.00 (I-80) to Milepost 6.07 (151st Street) in the amount of \$61,167.08.

Director Canham moved for approval; seconded by Director Morris. The motion was approved unanimously.

Committee Chair Saldaña called on Elizabeth Looby, Acting General Counsel, to present the following:

Item 1: An Intergovernmental Agreement with the Federal Highway Administration United States Department of Transportation (FHWA). Cost to the Tollway: \$661,050. (exp. reimbursement from FHWA grant \$528,840; net Tollway cost: \$132,210).

Item 2: Amendment to the Tollway Fire Department Agreements. Cost to the Tollway: \$0

Item 3: Settlement in the matter of Diaz v. Nettleton. Cost to the Tollway: \$221,075.21.

Director Morris moved for approval; seconded by Director Canham. The motion was approved unanimously.

Committee Chair Saldaña called on Captain Jesernik, District Commander – State Police, to present the following:

Item 1: Award of Contract No. RR-11-9119 to Kustom Signals and to Applied Concepts for Purchase of Lidar and Radar guns for speed enforcement to replace existing guns in the amount of \$105,552.00.

(CMS Master Contract).

Director Morris moved for approval; seconded by Director Canham. The motion was approved unanimously.

Committee Chair Saldaña opened the floor to public comment. No comment was offered.

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

Meeting adjourned at approximately 9:45 a.m.

Minutes taken by: _____

Tranece Artis
Board Secretary
Illinois State Toll Highway Authority