

Illinois State Toll Highway Authority
Minutes of the Finance-Administration Committee Meeting
October 21, 2010

The Illinois State Toll Highway Authority held a Finance-Administration Committee Meeting on Thursday, October 21, 2010 at approximately 8:00 a.m. at the Central Administration Building in Downers Grove, Illinois. Directors on the Committee in attendance were as follows:

Committee Chairman James Banks
Director Bill Morris
Director George Pradel
Director Tom Weisner

Chair Wolff thanked the Directors and Tollway staff for moving up the date of the Board meeting a week earlier.

Executive Director Lafleur introduced new employees: Tranece Artis, Administrative Manager to the Board; Joe Kambich, Chief of Information Technology; Jackie Diaz, Executive Secretary.

Director Morris asked if Inspector General Jim Wagner was officially appointed that week. Executive Director Lafleur confirmed that Governor Quinn did announce Wagner's appointment, but that the legislation creating the Inspector General position will not go into effect until January 1st, at which point there will be a Senate confirmation process.

Committee Chairman Banks called the meeting to order.

Director Morris moved to approve the Minutes of the Finance-

Administration Committee meeting held on September 30, 2010; seconded by Director Pradel. The motion was approved unanimously.

Committee Chairman Banks called upon Ed Vargas, Deputy Chief of Business Systems. Mr. Vargas requested approval of the following for the Consent Agenda:

Amendment to existing tower co-location agreement with AT&T for locations at Plazas 17, 23, 58, and M8.

Director Pradel moved to approve said Co-Location Agreement; seconded by Director Morris. The motion was approved unanimously.

Mr. Vargas requested approval of the following:

A Contract Award Recommendation for LECG Smart in the amount not to exceed \$70,000.00.

Director Weisner moved to approve said Recommendation; seconded by Director Morris. The motion was approved unanimously.

Committee Chairman Banks called upon Mike Colsch, Chief of Finance. Mr. Colsch requested approval of the following:

Renewal of the Property Insurance Program for the period of December 1, 2010 through November 30, 2011.

Director Morris moved to approve said Renewal; seconded by Director Pradel. The motion was approved unanimously.

Mr. Colsch requested approval of the following for the Consent Agenda:

Award of the Liquidity Agreements for the 1998B, 2007A and 2008A Series Bonds.

Director Saldaña noted that the members of the Liquidity Working Group had a conference call earlier in the week to review the results of the RFP. She indicated that the members felt that Executive Director Lafleur and Mike Colsch should proceed with negotiations for seven to eight of the responders to the request for liquidity providers, and that the bids were very competitive.

Director Weisner moved to approve said Award; seconded by Director Morris. The motion was approved unanimously.

Director Morris noted that the Liquidity Working Group should prepare recommendations for the November Board meeting.

Committee Chairman Banks called upon Kristi Lafleur, Executive Director. Executive Director Lafleur introduced the tentative 2011 Budget presentation. She noted that despite early 2010 toll revenue projections of \$642 million, current projections indicate that \$618 million is a more likely result. Since there is no indication that revenues will meet previous projections for 2010, at the September Board meeting the Board agreed to cut the total 2010 budget by \$17 million. Executive Director Lafleur noted that Tollway staff continues to look for ways to cut spending and maximize efficiencies. Executive Director Lafleur submitted to the Board the tentative 2011 budget recommendations. The recommendations use conservative revenue projections, strive to achieve management efficiencies and prioritize customer service, and seek to minimize the impact of budget cuts on delivery of front-line services. The 2011 budget reduces operating expenses \$10.3 million from the 2010 budget, the first reduction of its kind in the Tollway's history, and cuts 106 vacant positions while avoiding layoffs. Executive Director Lafleur noted that staff is continuing to work toward completion of a management audit, and this process will be beginning shortly. The goal of this audit is to produce recommendations for cost saving measures as well as suggestions on making the Tollway more effective in the years to come.

Director Morris stated that it was his understanding that after the Board's acceptance of the tentative 2011 budget, the Board is then to return after public hearings and formally vote on the budget. Executive Director Lafleur confirmed that this was the process. She called on Mike Colsch. Mr. Colsch gave a presentation on the tentative 2011 budget.

Mr. Colsch noted that the Tollway is required by the Trust Indenture to present a tentative budget by the end of October of each year. In November the budget is then submitted for public comment and hearings, after which these comments are presented to the Board and there is an opportunity to incorporate changes arising from the review process. In December, approval of the final budget is sought. Under the Trust Indenture the Board has until the end of January to approve the final budget.

Mr. Colsch made mention of the highlights of the 2011 budget: the revenue included in the budget reflects very modest growth in the economy and in revenue estimates; there are reductions in both the operating budget as well as the capital program; consulting services have been reduced, but public safety, customer service, accountability, and green initiatives have been prioritized.

Mr. Colsch outlined the significant budget reductions in the 2011 tentative budget. Salary, wages, social security and retirement: 106 vacancies eliminated, no increase budgeted for non-union staff, reduction of \$5.7 million. Contractual services: reductions primarily in the area of image-review, reduction of hearing officers, reduction of budgeted amount for collection fees. Operational materials and supplies: reduction of salt and winter materials due to price stabilization. Group insurance: reduction in group health insurance of \$1 million. Fuel: efforts in conservation, particularly to reduce idle time and fuel consumption. Telephone charges: reduction due to number of call minutes.

Mr. Colsch outlined the budget increases in the 2011 tentative budget. State police sworn salaries, FICA and retirement: \$1.4 million increase. This funds 185 state troopers; there are currently 183 state troopers. Equipment and office rental: transferred from a different category. Workers compensation: increase of \$600,000.

Chair Wolff asked if there were any concerns that the changes in the budget would affect the listed priorities (public safety, customer service, accountability, green initiatives).

Executive Director Lafleur answered that staff is working hard to manage and prioritize front-line services. She added that staff will be looking to interdepartmental cooperation to meet these challenges and successfully serve customers while maintaining a high level of operations.

Director Morris asked how is it possible to have more people on board than the budget authorizes: why the 2010 budget included 178 state police positions but there are over 180 state police on staff currently. Mr. Colsch responded that the agreement itself calls for as many as 196 state police positions; with the State Retirement System requiring the Tollway to put more into retirement funds, the budget for these positions was reduced to 178, although the intention to fund more was there. Director Morris asked if the Board approves budget numbers as well as headcounts. Mr. Colsch answered that the State Police are not included in the total number of Tollway employees, but rather are counted separately.

Mr. Colsch continued his presentation and went into detail on the tentative budget, including debt service level. Director Banks asked how the rating agencies have responded. Mr. Colsch answered that the Tollway is still doing rather well compared to other tollroads. Director Morris noted that the Tollway's annual debt service payments will begin

to climb in the next several years, and that the Committee should look into that and craft a strategy rather than be surprised by a bad rating. **Executive Director Lafleur noted that staff will present a multi-year financial plan at the next Board meeting.**

Director Roolf noted that debt service coverage is very important, and inquired as to what is required for this coverage. Mr. Colsch answered that the covenant is the greater of 1.3 times the debt service or debt service plus the required renewal and the replacement account deposit. Director Morris noted that one of the hallmarks of the Tollway is that it is one of the few toll organizations in the country to attain one of the highest bond ratings possible to attain.

Chief Engineer Paul Kovacs gave an overview of engineering and construction projects planned for 2011, as well as revised 2011 Congestion Relief Program projects.

Chair Wolff noted that the sooner the Tollway figures out its long-term plan the better, both for the customers who drive the system as well as in terms of using resources intelligently. Mr. Kovacs responded that staff is continuously monitoring and inspecting the system.

Mr. Colsch continued his presentation and detailed forthcoming capital projects.

Executive Director Lafleur addressed the Tollways efforts to include virtual participation in the upcoming public budget hearings.

Mr. Colsch and Executive Director Lafleur thanked staff for their work preparing the budget.

Director Morris expressed concern about the revenue projections, and asked for a presentation on the projections from the past five years versus actual revenues at the November Board meeting. Director Morris

then added that he feels the Tollway should look at having employees pay part of their healthcare premium. He informed the Board that he had recently met with a business group and learned about space utilization, and feels that the Tollway could benefit from having someone come in and look at the way offices are laid out and general space is being used.

Committee Chairman Banks moved to approve the Budget; seconded by Director Towns. The motion was approved unanimously.

Committee Chairman Banks called upon Scott Sims, Acting Chief of Procurement.

Mr. Sims requested approval of the following for the Consent Agenda:

Renewal of Contract No. 09-0182 to A-1 Corporate Hardware for Locks and Hardware – Schlage, by \$150,000.00, from \$150,000.00 to \$300,000.00 (CMS Master Contract).

Increase to Contract No. 09-0010 to Enterprise Oil Company and D-A Lubricant Company for Lubricants, Greases and Oils (Virgin), by \$33,500.00, from \$106,600.00 to \$140,100.00 (CMS Master Contract).

Director Banks moved to approve said items; seconded by Director Pradel. The motion was approved unanimously.

Mr. Sims requested approval of the following:

Award of Contract No. 10-0076R to Davco Automotive Products, Incorporated for Electrical Repair, in the amount of \$45,000.00 (Tollway IFB).

Director Towns moved to approve said Award; seconded by Director Pradel. The motion was approved unanimously.

Mr. Sims requested approval of the following:

Award of Contract No. 10-0179 to Mellen Septic Services, Incorporated for Sewage Repair at Plaza 21/Waukegan Toll Plaza, in the amount of \$43,400.00 (Emergency Affidavit).

Director Morris moved to approve said Award; seconded by Director Pradel. The motion was approved unanimously. **Director Morris asked for staff to show quotes from additional companies in the future.**

Executive Director Lafleur introduced Ed Vargas.

Mr. Vargas gave a presentation on uninterruptable power source (UPS) technology. Mr. Vargas explained that UPS is important because the Tollway has to protect the computer-based equipment relied on for revenue collection, communications, etc. He noted that a functionally operating UPS minimizes the risk of revenue loss and protects equipment from surges, brownouts, etc. Currently 127 UPS units need to be replaced, as they are over 15 years old. **Chair Wolff suggested that it would be prudent to estimate when the other UPS units would need to be replaced, and build those costs into future budgets.**

Director Morris suggested that a replacement rotation be put into place.

Committee Chairman Banks called on Tom Bamonte, General Counsel.

Mr. Bamonte requested approval of the following for the consent agenda:

An Intergovernmental Third Addendum Agreement with the University of Illinois. Cost to Tollway is \$1,220,000 over a 5 year period.

An Intergovernmental Second Addendum Agreement with the Board of Trustees of the University of Illinois. Cost to Tollway is \$0.

Chair Wolff inquired as to whether the Tollway had looked at other universities that might have similar expertise, or only considered the University of Illinois. Rocco Zuccherro answered that historically the University of Illinois has done a lot of this work and has done a good job with it. Mr. Zuccherro indicated that he was currently trying to see what knowledge base was out there and if other universities would fit as well.

Director Morris moved to approve said Agreement; seconded by Director Pradel. The motion was approved unanimously.

Mr. Bamonte requested approval of the following:

An Intergovernmental Agreement with the Illinois Department of Transportation. Cost to Tollway is \$0. The Tollway will receive \$9,024,958.11.

Director Morris moved to approve said Agreement; seconded by Director Pradel. The motion was approved unanimously.

Mr. Bamonte requested approval of the following:

An Intergovernmental Agreement with Homer Township. Cost to Tollway is \$0.

An Intergovernmental Agreement with the City of Lockport. Cost to Tollway is \$0.

Director Morris moved to approve said Agreements; seconded by Director Pradel. The motion was approved unanimously.

An Intergovernmental Agreement and Annexation Agreement with the Village of North Aurora. Cost to Tollway is \$0.

Director Banks moved to approve said Agreement; seconded by Director Pradel. The motion was approved unanimously.

Mr. Bamonte requested approval of the following:

Deutsch Levy amended resolution. Cost to Tollway is the continued hourly rate of \$200 per hour.

Director Banks moved to approve said Resolution; seconded by Director Pradel. The motion was approved unanimously.

There being no further business, Committee Chairman Banks called for a motion to adjourn; seconded by Director Weisner. The motion was approved unanimously.

Meeting adjourned at approximately 9:45 a.m.

Minutes taken by: _____
Jackie Diaz