

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS**

January 10, 2013

The Board of Directors of the Illinois State Toll Highway Authority met in special session on Thursday, January 10, 2013, at approximately 3:00 p.m. in the Board Room of The Illinois State Toll Highway Authority's Central Administration Building in Downers Grove, Illinois. The Meeting was held pursuant to By-Laws of the Authority upon call and notice of the Special Meeting executed by Chair Paula Wolff and posted in accordance with the requirements of the Open Meetings Act.

Bolded entries indicate issues which will require follow-up to present to the Board.

Chair Wolff stated that this is a special meeting of the Board of The Illinois State Toll Highway Authority and asked the Board Secretary to call the roll. Those Directors present and absent were as follows:

Present:

Chair Paula Wolff
Director Jim Banks
Director Terry D'Arcy
Director David Gonzalez
Director Mark Peterson
Director Jeff Redick
Director James Sweeney
Director Carl Towns

Absent:

Governor Pat Quinn
Secretary Ann Schneider

Participated via teleconference: Director Tom Weisner

Chair Wolff noted that Director Weisner had a business conflict and called for a motion to allow him to participate in the meeting via teleconference. Motion made by Director Gonzalez; seconded by Director Redick. The motion passed unanimously.

Director Weisner joined by teleconference.

Chair

Chair Wolff noted that in previous discussions regarding bonds she had mentioned that the Financial Advisors would come in to brief the board. She added that since Mike Colsch, Chief of Finance, did a great job of presenting the perspective of the Financial Advisors that the Board would dispense with having the Financial Advisors make a presentation to the Board. She indicated that the Financial Advisors met with Executive Director Lafleur and her staff as well as herself and Director Mark Peterson. She noted that a meeting would be scheduled if there were specific concerns of Directors that needed to be addressed.

Executive Director Lafleur stated that the Tollway was hoping to assign the first transactional bond underwriting group as part of the Special Board Meeting but additional time was required for some firms to clear the procurement disclosure process. She explained that many of the firms have cleared the disclosure process but that the Tollway wanted to give as many as possible of the senior bond underwriters the opportunity to clear the disclosure process so that the Tollway can have as much of the entire pool as possible available for selection. She stated that the recommendation for bond underwriting teams would be postponed until the full board meeting on January 24, 2013 to allow additional firms to clear the disclosure process.

Executive Director Lafleur explained that the procurement process, including the disclosure clearance process, is a lengthy process and that many of the firms have complex ownership structures and complicated litigation portfolios which results in it taking a great deal of due diligence to review. Executive Director Lafleur noted that, once the Tollway has established the pool, it will be available for issuances for three years. She explained that, although it is a little disappointing the teams were not ready to be presented, it was important to have the Special Board Meeting to review critical construction contracts to help ensure *Move Illinois* stays on time this year.

Executive Director

Executive Director Lafleur introduced Mr. Colsch to give a presentation on the **Procurement of Bond Underwriting/Remarketing Services for RFP#12-0045** as seen in the attached presentation.

Mr. Colsch reviewed the procurement process and noted that the Governor's Office of Management and Budget (GOMB) approved the underwriting firms on November 20, 2012. Chair Wolff asked if the request for approval of the underwriters was submitted to GOMB in November or if it was submitted earlier and then approved in November. John Donato, Chief of Procurement, answered that the request was submitted prior due to the fact it has taken some time for GOMB to approve other procurements.

Mr. Colsch noted that the disclosure process required disclosures to be reviewed and cleared by the Tollway, the State Procurement Officer (SPO), Central Management Services, the Chief Procurement Office and the Procurement Policy Board. An initial award notice for 16 of 32 firms was completed on December 20, 2012.

Chair Wolff asked when the disclosure forms were submitted in order to have received the December 20, 2012 approval and if this was a sequential process. Mr. Donato responded that once the Tollway believes that the forms are in compliance with the statutory requirements then the forms are submitted to the SPO and that starts the process for additional reviews.

Chair Wolff further asked about the timing of submissions, noting that the Board approved the pool in September. Mr. Donato answered that review of the vendor disclosure forms started to take place in September. He noted that part of the problem for the disclosures taking so long is that these firms have not gone through this disclosure process before and are unfamiliar with it. He indicated that when GOMB issues bonds there is a different process and the last time the Tollway did its bond procurement Senate Bill 51 did not exist.

Executive Director Lafleur added that it did take some back and forth between the Tollway and the firms to get the forms completed. She also noted that the firms that have cleared as of the December 20 date submitted finalized forms to the Tollway in end of October/ beginning of November. She indicated that it is taking three to six weeks to clear the process.

Chair Wolff mentioned that it appears the process is taking up to 10 weeks, assuming all the firms submitted their forms then. Executive Director Lafleur clarified that not all forms were submitted in their final form then and that some

are still being revised due to complex ownership structures resulting. She noted that those firms that were approved on December 20, 2012 submitted final completed and correct forms to the Tollway at the end of October/beginning of November.

Mr. Colsch highlighted that in respect to assignments, once the firms have been cleared and awards made, the Request for Proposal provided for a number of criteria for consideration in making assignments to individual transactions. Mr. Colsch stated that at the January 24, 2013 Board Meeting, the Tollway expects to provide underwriting groups for the first *Move Illinois* bond issuance of approximately \$500 million of fixed rate bonds and a second group that the Tollway can utilize for refunding of some of the synthetic fixed rate bonds. He noted that if the refunding does not make sense from a financial stand point/market stand point, this group can be available to be used on the second *Move Illinois* bond issuance. He explained that the current recommendation is to not name a second team and then not utilize them because the refunding did not materialize as being economically viable. He stated that the preference is to bring two groups for approval to the January 24, 2013 Board Meeting.

Mr. Colsch stated that with respect to the assignment considerations, the top priority or criterion is that the Tollway intends for all firms within a pool to receive an assignment before any firm receives a second assignment, unless there is a good reason to pass on a firm or a firm has not yet cleared the disclosure process. The second criterion is underwriting experience with the Tollway, balancing firms with prior Tollway experience with new firms that can reach new buyers. The third criterion is to consider the strengths of the underwriting desks and their distribution capabilities, including factors such as capitalization as well as considering the type of transactions being done and whether they require an underwriting desk that has an expertise in short term bonds or long term bonds. Additionally, the Tollway must consider distribution capabilities and whether the firm has a retail client network or if they are entirely institutional buyers. He also explained that the Tollway must consider geography and if firms have a presence in different areas of the country. Finally, he explained that in regards to other considerations, many are along the lines of precluding a firm from participating. Mr. Colsch gave the example that, if there is some financial deterioration in the creditworthiness of a firm, it might lead the Tollway towards not using them on a transaction.

Chair Wolff asked Mr. Colsch if he feels that there is adequate representation in the firms that have already been published to meet and balance the different criteria that is wanted. Mr. Colsch responded that he thinks there are sufficient firms to balance the criteria for one transaction but that it is best to have all the firms or as many as possible when naming the groups for both transactions.

Executive Director Lafleur added that it is important to try to name both teams at the January 24, 2013 Board Meeting so the first team can get started working on the issuance and the second team can start monitoring and assessing the market to see if there is an opportune time to do a second transaction on the synthetic fixed rate refunding. Mr. Colsch added that there is value for the firms to be able to know the Tollway's assignment or expectations for them in the coming months.

Chair Wolff noted that there is not a pattern to what firms have been cleared. Big firms have been cleared and big firms have not, and so it is not a matter of firm size but the complexity of the information for the firm and the capacity for them to submit it. Executive Director Lafleur added that the length of time it takes for the firm to turn in the required information is also a factor.

Additionally, Chair Wolff noted that one reason it was important to have this presentation is so that everyone has a good understanding of why the process is being handled the way it is so that if the Tollway has to make a decision and every firm is not through the process they know the Tollway is doing its best to try to get each firm cleared but that there are variables beyond Tollway control. The Tollway is eager to get everyone through and everyone on the list so that there are as many firms as possible to choose from for both of the teams. Chair Wolff added that hopefully over time firms will become more familiar with this process and will be able to complete this process more quickly.

Consent Agenda

Executive Director Lafleur noted that the construction contracts on the agenda total \$124.5 Million of work for the I-90 Corridor. She explained that the Tollway completed some advance work last year but 2013 will be the first year doing major reconstruction of the mainline and that this is a \$2.2 Billion project overall. She indicated that the Tollway is getting competitive bids and that hopefully this will allow there to be additional room in the overall project budget. She explained that

the Tollway is rebuilding the corridor to be a 21st Century, state-of-the-art corridor, linking Rockford to O'Hare and onto Chicago; the investment will save drivers almost \$440 Million annually in reduced congestion and delays. She further explained that the project potentially will create thousands of jobs, both construction and permanent jobs, as additional capacity is built out as well as interchanges constructed. Executive Director Lafleur reported that the Tollway has budgeted just over \$415 Million for this project in 2013 and assuming today's items are approved, more than \$377.6 Million in contracts will have been approved for improvements on I-90 totaling 29 contracts awarded to engineering and construction firms. She added that the Tollway wanted to get out in front of possible procurement delays to keep everything moving on time this year.

Executive Director Lafleur called on Paul Kovacs, Chief Engineer, to present the following **Engineering** items:

Item 1: Award of Contract I-12-4077 to Plote Construction, Inc. for Eastbound Widening and Reconstruction on the 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.

Director Peterson noted that both Curran Contracting Company and Plote Construction will be getting two contracts and asked if they are both super unlimited capacity. Mr. Kovacs responded that both companies have the capacity. Discussion followed regarding the number of miles worked on for the projects, project scopes and project specifics and that these are the cause for the different dollar values for the projects.

Item 2: Award of Contract I-12-4076 to F.H. Paschen, S.N. Nielsen & Associates, Inc. for Eastbound Widening and Reconstruction on the Jane Addams Memorial Tollway (I-90) from Milepost 45.5 (IL Route 47) to Milepost 49.7 (Union Pacific Railroad), in the amount of \$18,868,872.13.

Item 3: Award of Contract I-12-4075 to Plote Construction, Inc. for Eastbound Widening and Reconstruction on the Jane Addams Memorial Tollway (I-90) from Milepost 41.5 (US Route 20) to Milepost 45.5 (IL Route 47) in the amount of \$17,149,504.68.

Item 4: Award of Contract I-12-4074 to Curran Contracting Company for Eastbound Widening and Reconstruction on the Jane Addams Memorial Tollway (I-90) from Milepost 33.5 (Anthony Road) to Milepost 41.5 (US Route 20) in the amount of \$24,644,161.66.

Item 5: Award of Contract I-12-4073 to Curran Contracting Company for Eastbound Widening and Reconstruction on the Jane Addams Memorial Tollway (I-90) from Milepost 24.9 (Genoa Road) to Milepost 33.5 (Anthony Road) in the amount of \$31,393,978.18.

Director Peterson noted three contracts work on sections that are four miles long and that two contracts work on sections that are eight miles long. Mr. Kovacs added that the location of interchanges drives the length of the segment worked on for each project because interchanges are the points where contractors are able to get on and off the roads. Additionally, Mr. Kovacs stated that the previous program taught the Tollway that keeping the work below the \$60 Million maximum limit will allow more companies to be able to do the work resulting in more bidders/competition and therefore lower prices.

Chair Wolff noted if you add up all the engineers' estimates that the projects today come in at \$37 Million less than estimated. Mr. Kovacs added that the total savings for all six contracts is about \$55 Million (a sixth contract in the same geographical area will be brought to the January 24, 2013 Board Meeting).

Director Sweeney asked Mr. Kovacs if he noticed in this sequence of contracts if firms that did not get work in the beginning submitted lower bids at the end. Mr. Kovacs responded affirmatively and noted that Plote also stopped bidding once they won two bids.

Discussion followed about the lead time for ordering steel and how approving these contracts two weeks earlier is helpful.

Director Towns noted that there are not any African American subcontractors on these contracts and asked if there is a reason for that. Mr. Kovacs responded that the staff identified this as an issue, and in reviewing the process, the staff could find no particular reason for this. He further added that during meetings with assist agencies and disparity groups throughout 2012 they said that they would not have a

lot of interest in the work in the far Western portion of the system. The Tollway still performed aggressive outreach to those groups but in the end the Tollway does not dictate who the prime contractor selects as subcontractors.

Gustavo Giraldo, Chief of Diversity and Strategic Development, added that this pattern is partially due to the geographical location of the projects and the demographics of the region. He stated that aggressive outreach was performed throughout all of the Tollway System. Mr. Giraldo then gave a detailed explanation of past Tollway outreach and planned future outreach.

Chair Wolff asked if there is a way to gather evidence about why African American companies did not become subcontractors, realizing that the Tollway is one step away and the prime contractor selects the subcontractor.

Director Sweeney added that the general contractor is soliciting the subcontractors and the Tollway needs to ask them to make an effort to do outreach to African American firms. Chair Wolff added that the question for the contractors is what did you try to do and what were the obstacles faced.

Mr. Giraldo added that he has coordinated meetings with several African American contractors that have unsuccessfully attempted to do business with the Tollway and that they cited the same issues of bonding, financing, and prequalification arise. There is also an issue of networking, getting prime contractors and subcontractors together. He added that the Tollway has to engage on this problem from multiple approaches that will help build up the pool of contractors. Another issue is that the economy has reduced the number of contractors in existence even compared to three or four years ago.

Chair Wolff asked if there is a way to document how many contractors there were five years ago and how many there are now.

Executive Director Lafleur responded that the Disparity Study will do this, looking into the market place and seeing what the availability is, how many firms are available and in what areas. She mentioned that the Tollway can do a survey or look at the other bids to see if there are African Americans subcontractors included in the bids.

Discussion followed on the Tollway's unbundling efforts, the creation of a technical assistance program, and the creation of a bonding program as well as partnering with the Illinois Finance Authority on their bonding program.

Executive Director Lafleur indicated that in addition to Mr. Giraldo's upcoming update on the Diversity program that he will give an update on these initiatives and programs.

Discussion followed on the use of DBE trucking companies, outreach to DBE firms outside of the geographical area of the Tollway System, the geographical location of projects that large construction firms bid on and the distribution of plans to Assist Agencies.

Chair Wolff called for a motion for the approval of **Engineering Items 1-5**. Director Sweeney made a motion; seconded by Director Banks. The motion was approved unanimously.

Executive Director Lafleur presented the following **Legal** item:

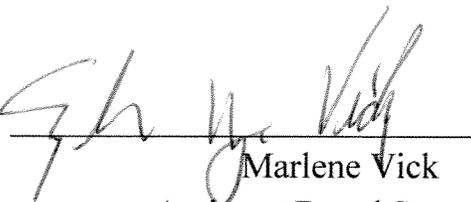
Item 1: Resolution to appoint Tollway Assistant Secretary.

Chair Wolff called for a motion for the approval of **Legal Item 1**. Director Towns made a motion; seconded by Director Sweeney. The motion was approved unanimously.

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

The meeting was adjourned at approximately 4:02 p.m.

Minutes taken by:



Marlene Vick

Assistant Board Secretary

Illinois State Toll Highway Authority



**UPDATE – Procurement of Bond Underwriting/
Remarketing Services RFP#12-0045**

January 2013

Description of Services

- **Underwriting Services**
 - Market bonds to investors
 - Price bonds (set interest rates)
 - Tollway/Tollway Financial Advisors may consult with underwriters in structuring the bond financing
- **Remarketing Services (*variable rate bonds only*)**
 - Set interest rates on variable rate bonds
 - Remarket tendered variable rate bonds to new investors
- **Term: 3 years with renewal options up to 2 years**

Procurement Progress

- April 2012 Procurement business case process completed
 - Tollway, CMS, and OMB approvals obtained
- May 3, 2012 RFP published
- May 25, 2012 Proposals received (51)
- June/July 2012 Proposals evaluated and pricing negotiated
- August 23, 2012 Board approves establishment of Senior Pool and Co-Manager Pool
 - 14 firms in Senior Pool
 - 18 firms in Co-Manager Pool
- September 2012 Financial/conflict-of-interest disclosures review and approval process begun
- November 20, 2012 OMB approval
- December 20, 2012 Award notice published for firms with approved disclosures
 - Tollway, SPO, CMS, CPO and PPB approvals required
 - 16 of the 32 firms included in the award notice
- Ongoing Disclosure process and award notice posting for other 16 firms
- Ongoing Finalize contracts with 14 firms in the Senior Pool
 - Majority have agreed to form of contract



Presented by Mike Colsch on January 10, 2013

Pools Authorized by Board

- **Senior Pool** (Senior Managing Underwriter, Co-Senior Managing Underwriter, Remarketing Agent)

Published in Award Notice

Barclays
BMO Capital Markets
Goldman Sachs
JPMorgan
Loop Capital
RBC Capital
Samuel Ramirez
Siebert Brandford
Wells Fargo

Not yet published

Citigroup
Jefferies
Merrill Lynch
Morgan Stanley
William Blair

- **Co-Manager Pool** (Co-Managing Underwriter)

Published in Award Notice

Fifth Third Securities
George K. Baum
M.R. Beal
Oppenheimer
Piper Jaffray
Rice Securities
Stifel Nicolaus

Not yet published

Cabrera Capital
Duncan-Williams
Fidelity Capital
KeyBank Capital
Janney
Mesirow
PNC
Raymond James | Morgan Keegan
Robert Baird
US Bancorp
Williams Capital



Presented by Mike Colsch on January 10, 2013

Board Assignment Requests (January 24 meeting)

- **Underwriting Group for first *Move Illinois* bond issuance**
- **Underwriting Group for earlier of:**
 - First Synthetic Fixed Rate refunding bond issuance; or
 - Second *Move Illinois* bond issuance
- **Assignment considerations**
 - Rotation (intend all firms within a Pool to receive an assignment before a firm receives a second assignment)
 - Tollway underwriting experience
 - Balance firms of prior experience with new firms
 - Underwriting desks and distribution capabilities
 - Capital, Institutional versus Retail, Geographic considerations, etc.
 - Other considerations



THANK YOU