

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

April 25, 2013

The Illinois State Toll Highway Authority met in regular session on Thursday, April 25, at approximately 9:05 a.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 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 the regularly scheduled meeting of the Board of The Illinois State Toll Highway Authority and asked the Board Assistant Secretary to call the roll. Those Directors present and absent were as follows:

Present:

Chair Paula Wolff
Director Jim Banks
Director David Gonzalez
Director Mark Peterson
Director Carl Towns
Director Tom Weisner

Not Present:

Governor Pat Quinn
Secretary Ann Schneider
Director James Sweeney
Director Tom Weisner

Chair Wolff called for public comment. Beth Doria from the Federation of Women Contractors spoke.

Ms. Doria described the background of the Federation of Women Contractors, as well as the challenges of securing Tollway contracts beyond the mandates of women and disadvantaged business firm set-asides. Ms. Doria then spoke in support of both the Tollway efforts to unbundle contracts as well as the Small Business Initiative.

Chair Wolff thanked Ms. Doria for her input.

Jorge Perez, Executive Director of the Hispanic American Construction Industry Association (HACIA) then spoke. Mr. Perez stated the support of HACIA for the Small Business Initiative.

Chair Wolff asked Mr. Perez and Ms. Doria if the definition of small business within the proposed Small Business Initiative is appropriate. Mr. Perez stated that it is, and that he viewed small businesses as those with less than \$10 million in annual revenue.

Executive Director Kristi Lafleur stated that the Small Business Initiative definition of small business was based on a statutory definition.

CHAIR'S ITEMS

STANDING COMMITTEE REPORTS

Chair Wolff asked each Chair of the following standing committees to provide reports on the committee's recent activities.

Finance, Administration and Operations (FAO) Committee

Chair Wolff called upon Director Peterson to report on the FAO Committee meeting.

Director Peterson stated that FINANCE presented two items, both of which are on the Consent Agenda.

The first item was the Renewal of Liability Insurance Program, including commercial general, business, automobile and excess liability through USI-Midwest as insurance broker for a period of one-year commencing June 1, 2013 through May 31, 2014.

The second item was Authorization of the extension of the Standby Bond Purchase Agreements for the Authority's \$191.5M Series 2008A-1a and \$95.8M Series 2008A-2 Bonds.

PROCUREMENT presented three items, which were approved for the consent agenda.

- Increase to Contract 11-0141 to Lakeside International Trucks for the purchase of Navistar Parts in an amount not to exceed \$500,000.00 (Order Against CMS Master Contract).

- Renewal of Contract 11-0114 to System Development Integration, LLC for the purchase of Project Management and Technology Planning in an amount not to exceed \$4,982,544.00 (Tollway Request for Proposal).
- Extension of Contract 13-0025 to Quimex, Inc. for the purchase of Lubricants, Greases and Oils (Virgin) in an amount not to exceed \$112,500.00 (Tollway Emergency).

ENGINEERING presented 8 items, of which 6 items were placed on the consent agenda.

Three construction and one professional service contracts were presented.

In addition, Engineering presented:

- Two items that address land acquisition;
- One request for funding of an intergovernmental agreement with the University of Illinois; and
- One item implementing a Small Business Initiative.

LEGAL presented 2 items, both of which were Intergovernmental Agreements (“IGA”).

An IGA with Kane County. The Tollway is improving the Jane Addams Tollway (I-90) from U.S. Route 20 to the Elgin Plaza, and the County has requested that the Tollway include in its project certain bridge repair work, including replacement of the expansion joint strip. The total cost of the added work is estimated at \$39,930 to be reimbursed to the Tollway by the County.

A Series of IGAs with Various Municipalities. The Tollway has received a delegation from the Chief Procurement Officer of General

Services to procure electricity for its facilities. Tollway management has determined that a cost effective method of carrying out this procurement delegation is to enter into agreements with certain municipalities which have passed referendums to aggregate the electrical commodity supply for facilities within municipal limits. The Intergovernmental Agreements will ratify the Tollway's use of municipal contracts already in place with Alternate Retail Electric Suppliers (ARES) and authorize certain Tollway electrical accounts to be covered by municipal aggregations going forward.

Chair Wolff then inquired if there were any questions regarding the FAO Committee Meeting. Chief of Engineering Paul Kovacs pointed out a correction to Engineering Item #7 regarding the cost of the contract. Mr. Kovacs initially stated the cost ceiling for the item would be \$1,200,000.00; however, the actual cost of the item is \$1,274,837.00. He then inquired if the Board would like to discuss the item separately from the consent agenda. Chair Wolff expressed that the consensus would be to take the item from the consent agenda and have the full Board discuss the item.

Audit Committee

Chair Wolff called upon Director Gonzalez to discuss the Audit Committee meeting. As a function of compliance with State of Illinois statute, the Committee reviewed the 2012 Internal Audit. There were no findings in 2012.

The Committee also discussed the status of the external audit of the year ending December 31, 2012; the audit should be complete by June 30, 2013. Discussion also focused on the requirement to retain an outside audit of credit card transactions as a function of reaching 6 million credit card transactions. The Committee also discussed the need to fill a vacancy in Internal Audit.

Chair Wolff informed the Board of compliments on Tollway operations, contract unbundling efforts, and the proposed Small Business Initiative she received when presenting at a recent Women in Transportation luncheon. She thanked members of the Board for attending the Earth Day Summit and stated that there was ample material for transportation agencies to work on for the upcoming year. Finally, she complimented and thanked Tollway staff on the process leading to the Tollway 2013 Series A Bond issue.

EXECUTIVE DIRECTOR

Appointment of Chief of Internal Audit

Executive Director Lafleur announced that Cassaundra Rouse was appointed Chief of Internal Audit after serving as Acting Chief of Internal Audit since November of 2012.

State Trooper James Sauter

Executive Director Lafleur acknowledged the death of Illinois State Trooper James Sauter in a traffic crash in the line of duty. She paid tribute to Trooper Sauter, and expressed her sympathy to his family and to the Illinois State Police. Executive Director Lafleur then introduced Illinois State Police Captain Joseph Perez.

Captain Perez spoke about Trooper Sauter's service to the State Police and to District 15. He also thanked the Board and Tollway staff for their support. The Board, staff, and guests then observed a moment of silence in honor of Trooper Sauter.

Bond Issue Presentation

Executive Director Lafleur introduced Deputy Chief of Finance, Cathy Williams, and Capital Budget Specialist, Bill O'Connell to discuss the 2013 Series A Bond issue as shown in the attached presentation.

Chair Wolff requested clarification regarding the overall cost savings and benefits to the Tollway from the bond pricing and sale which was a likely result of the Tollway's aggressive marketing effort. Mr. O'Connell responded that the Tollway received a rate that would result in an overall cost savings of about \$10 million over the life of the bonds. The Tollway was also able to generate an additional \$62 million in revenue on the initial sale.

Chair Wolff complimented the efforts of Executive Director Lafleur, Chief of Staff Michael Stone, Mr. O'Connell, and Ms. Williams. Executive Director Lafleur also complimented the efforts of Tollway Chief of Finance, Michael Colsch.

Small Business Initiative Presentation

Executive Director Lafleur introduced Chief of Diversity, Gustavo Giraldo, to discuss the proposed Small Business Initiative shown in the attached presentation.

Chair Wolff inquired if a small business certified with the Illinois Department of Transportation would be automatically pre-qualified to participate in the Tollway program. Executive Director Lafleur and Mr. Giraldo stated that a business would need a certification as a small business that is separate from the IDOT pre-qualification process.

Director Peterson inquired if a set dollar amount had been set aside for the Small Business Initiative. Mr. Giraldo responded that no set dollar amount was set aside, but instead that goals would be set on a project-by-project basis.

Chair Wolff inquired if the Small Business Initiative contract percentages might also be counted as a part of the Disadvantaged Business Enterprise percentage. Mr. Giraldo stated that the processes involved in accounting for the Small Business and DBE process were separate and would not result in double-counting for required contract compliance.

Consent Agenda

Chair Wolff began the consent agenda (which consisted of items reviewed earlier in detail by Committees) by calling for a motion adopting the following **Finance** resolutions:

Item 1: Renewal of Liability Insurance Program including commercial general, business automobile and excess liability through USI-Midwest as insurance broker for a period of one-year commencing June 1, 2013 through May 31, 2014.

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

Director Banks made a motion for approval of **Finance Item 1**; seconded by Director Gonzalez. The motion was approved unanimously, with a recusal by Director Redick.

Director D'Arcy made a motion for approval of **Finance Item 2**; seconded by Director Banks. The motion was approved unanimously.

Chair Wolff called for a motion to approve the following **Procurement** resolutions:

Item 1: Increase to Contract 11-0141 to Lakeside International Trucks for the purchase of Navistar Parts in an amount not to exceed \$500,000.00 (Order Against CMS Master Contract).

Item 2: Renewal of Contract 11-0114 to System Development Integration, LLC for the purchase of Project Management and Technology Planning in an amount not to exceed \$4,982,544.00 (Tollway Request for Proposal).

Item 3: Extension of Contract 13-0025 to Quimex, Inc. for the purchase of Lubricants, Greases and Oils (Virgin) in an amount not to exceed \$112,500.00 (Tollway Emergency).

Director Gonzalez made a motion for approval of **Procurement Items 1-3**; seconded by Director Towns. The motion was approved unanimously.

Chair Wolff called for a motion to approve the following **Engineering** resolutions:

Item 1: Award of Contract RR-13-5659 to Plote Construction, Inc. for Intermittent Pavement Repairs and Parking Lot Rehabilitation on the Jane Addams Memorial Tollway (I-90) from Milepost 54.3 (East of the Elgin Toll Plaza) to Milepost 78.5 (River Road Toll Plaza), in the amount of \$2,256,606.73.

Item 2: Award of Contract I-13-4113 to ASP PDM Bridge, LLC for Bridge Beam Fabrication and Delivery on the Jane Addams Memorial Tollway (I-90) from Milepost 17.7 (Mill Road) to Milepost 47.9. (Powers Road), in the amount of \$4,347,422.60.

Director Banks made a motion for approval of **Engineering Items 1 and 2**; seconded by Director D'Arcy. The motion was approved unanimously.

Chair Wolff called for a motion to approve the following **Engineering** resolution:

Item 3: Acceptance of Proposal from BCP Tollway Partners, on Contract I-11-5633 for Supplemental Design Services for Roadway Widening and Reconstruction on the Jane Addams Memorial Tollway (I-90) from Milepost 41.8 (US Route 20) to Milepost 53.8 (Elgin Toll Plaza) in the amount of \$372,800.00 from \$11,859,248.16 to \$12,232,048.16.

Director Banks made a motion for approval of **Engineering Item 3**; seconded by Director Redick. The motion was approved unanimously, with a recusal by Director D'Arcy.

Chair Wolff called for a motion to approve the following **Engineering** resolutions:

Item 4: Final Release of Retainage on Contract RR-12-9121 to Stenstrom Excavation and Blacktop Group for Fuel System Rehabilitation, Systemwide, in the amount of \$195,823.31.

Item 5: Resolution authorizing additional land acquisition funding for the I-294/I-57 Interchange Construction, project I-11-5629.

Item 6: Resolution amending resolution #19584 for use of budgeted funds on the I-294/I-57 Interchange Construction to include Property Acquisition Phase, project I-11-4012.

Director Banks made a motion for approval of **Engineering Items 4-6**; seconded by Director Towns. The motion was approved unanimously.

Chair Wolff called on Paul Kovacs, Chief of Engineering, to present Engineering Item 7. Mr. Kovacs informed the Board that this engagement will result in the Tollway owning the final product of this study as it applies to the Tollway, as well as the option to partner with other institutions to develop the tool further. Chair Wolff confirmed her desire for the Tollway to look at partnering options, and Executive Director Lafleur reiterated that the Tollway would do so. Mr. Kovacs confirmed that the Tollway looked at alternative options to develop the tool, but only found limited other options from vendors located well out of state. Chair Wolff pointed out the benefits of developing the tool to provide information to the Tollway as it applies to sustainability efforts. Executive Director Lafleur pointed out that the tool provided the opportunity to illustrate future cost savings.

Chair Wolff called for a motion to approve **Engineering Item 7**:

Item 7: 7. Resolution requesting funds for a three year intergovernmental agreement with the University of Illinois for the development of Life Cycle Assessment (LCA) tools for the design, construction, and use of Tollway pavements and related drainage in an amount not to exceed \$1,274,837.00.

Director Peterson made a motion for approval of **Engineering Item 7**; seconded by Director Gonzalez. The motion was approved unanimously, with a recusal by Director Redick.

Chair Wolff called for a motion to approve **Engineering Item 7**:

Item 8: Resolution implementing a Small Business Initiative.

Director Banks made a motion for approval of **Engineering Items 8**; seconded by Director Gonzalez. The motion was approved unanimously.

Chair Wolff called on a motion to approve the following **Legal** resolutions:

Item 1: An Intergovernmental Agreement with Kane County. Cost to the Tollway: Tollway to be reimbursed \$39,930.

Item 2: 2. A Series of Intergovernmental Agreements with Various Municipalities. Cost to the Tollway: \$0.

Director Peterson made a motion for approval of **Legal Items 1-2**; seconded by Director D’Arcy. The motion was approved unanimously.

At approximately 10:05 a.m., Mr. Goldberg indicated the need to discuss personnel matters and the retaining of legal counsel in Executive Session pursuant to Section 2(c)(1) of the Open Meetings Act. Director Towns made the motion to enter into Executive Session; seconded by Director D’Arcy. The motion was approved unanimously.

At approximately 10:34 a.m., the Committee re-entered the public session of the Board meeting.

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

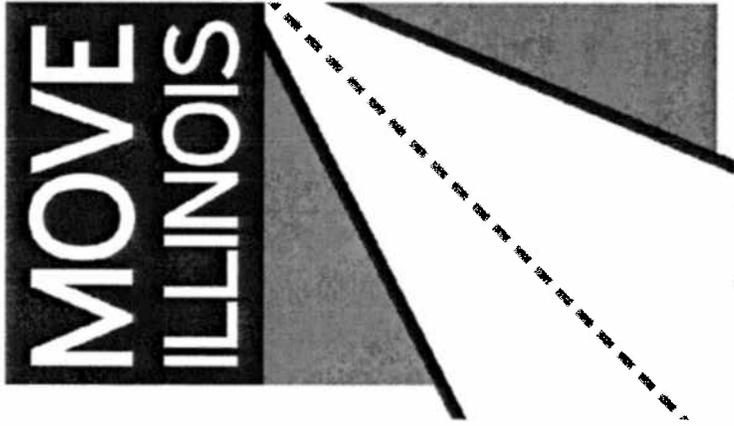
The meeting was adjourned at approximately 10:35 a.m.

Minutes prepared by: 

Robert Baren

Assistant Board Secretary

Illinois State Toll Highway Authority



The Illinois Tollway

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Funding the *Move Illinois* Program: The 2013 Series A Bonds

April 25, 2013

2013 Series A Bonds

- ▶ In early April, Fitch assigned a "AA-" rating to Series A and affirmed rating for outstanding Tollway bonds
- ▶ Fitch Rating Outlook is revised to Stable from Negative
- ▶ Standard & Poor's Corp. and Moody's Investors Service affirmed "AA-" and "Aa3," respectively, both with Stable Outlooks
- ▶ Series A bonds are first of two new-money bond issues totaling \$1 billion in 2013
- ▶ Led by two senior managing underwriters on behalf of a 10-firm underwriting group; Tollway assisted by two financial advisors



Financing Cost Well Below Initial Projection

- ▶ \$500 million of bonds successfully sold on April 18; with settlement/funding May 16
- ▶ Timing of sale advantageous, with interest rates near historic lows
- ▶ Bonds sold with 5 percent interest rate, much improved over initial (August 2011) projection of *Move Illinois* financing cost of 6 percent
- ▶ Average bond yield 3.44 percent to the call date and 4.11 percent to maturity
 - ▶ Call date 1/1/2023
- ▶ \$562 million of proceeds generated

Extensive Marketing Efforts Beneficial

- ▶ Proactive outreach and marketing of Series A bonds, including in-person investor conferences/meetings in Chicago, Boston and New York with more than 30 investors, and web-based investor presentation
- ▶ Yields improved through the marketing and sale period, including by 5 basis points on the date of sale for the \$350 million term bond.

Yield Spread to the Municipal Market Data (MMD) "AAA" Index

Maturity	Principal	Coupon	Pre-Marketing 4/17/2013			Preliminary Pricing 4/18/2013			Final Pricing 4/18/2013			Movement	
			Yield	MMD	Spread	Yield	MMD	Spread	Yield	MMD	Spread	Pre-Marketing to	Final Wire
2027	13,605	5.00%	3.04%	2.26%	0.78%	2.98%	2.23%	0.75%	2.86%	2.23%	0.63%		-0.15%
2028	14,285	5.00%	3.13%	2.35%	0.78%	3.07%	2.32%	0.75%	2.97%	2.32%	0.65%		-0.13%
2029	15,000	5.00%	3.21%	2.43%	0.78%	3.15%	2.40%	0.75%	3.08%	2.40%	0.68%		-0.10%
2030	15,745	5.00%	3.27%	2.49%	0.78%	3.21%	2.46%	0.75%	3.16%	2.46%	0.70%		-0.08%
2031	16,535	5.00%	3.32%	2.54%	0.78%	3.26%	2.51%	0.75%	3.25%	2.51%	0.74%		-0.04%
2032	17,360	5.00%	3.37%	2.59%	0.78%	3.31%	2.56%	0.75%	3.30%	2.56%	0.74%		-0.04%
2033	18,230	5.00%	3.42%	2.64%	0.78%	3.36%	2.61%	0.75%	3.34%	2.61%	0.73%		-0.05%
2034	19,140	5.00%	3.47%	2.69%	0.78%	3.41%	2.66%	0.75%	3.39%	2.66%	0.73%		-0.05%
2035	20,100	5.00%	3.52%	2.74%	0.78%	3.46%	2.71%	0.75%	3.44%	2.71%	0.73%		-0.05%
2036													
2037													
2038	350,000	5.00%	3.64%	2.86%	0.78%	3.58%	2.83%	0.75%	3.53%	2.83%	0.70%		-0.08%

Widespread Investor Demand

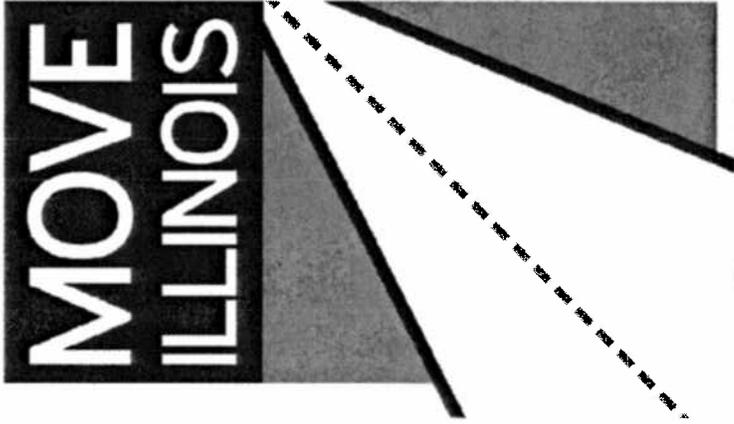
- ▶ Bond sale attracted tremendous interest from a broad range of investors
 - ▶ The \$500 million Series A Bonds had orders from more than 60 institutional investors totaling nearly \$1.9 billion
 - ▶ The \$350 million 2038 Term Bond had orders from approximately 55 institutional investors totaling nearly \$1.1 billion
 - ▶ Variety of order sizes demonstrates breadth of investor interest; 6 investors placed \$500,000 orders and 9 investors placed orders of \$50 million or more
- ▶ Strong orders supported yield reductions of 1-12 basis points for the final pricing
- ▶ Broad interest establishes strong investor base for future issues
 - ▶ Significant number of additional investors that have approved the Tollway credit
 - ▶ Significant number of new holders of Tollway bonds



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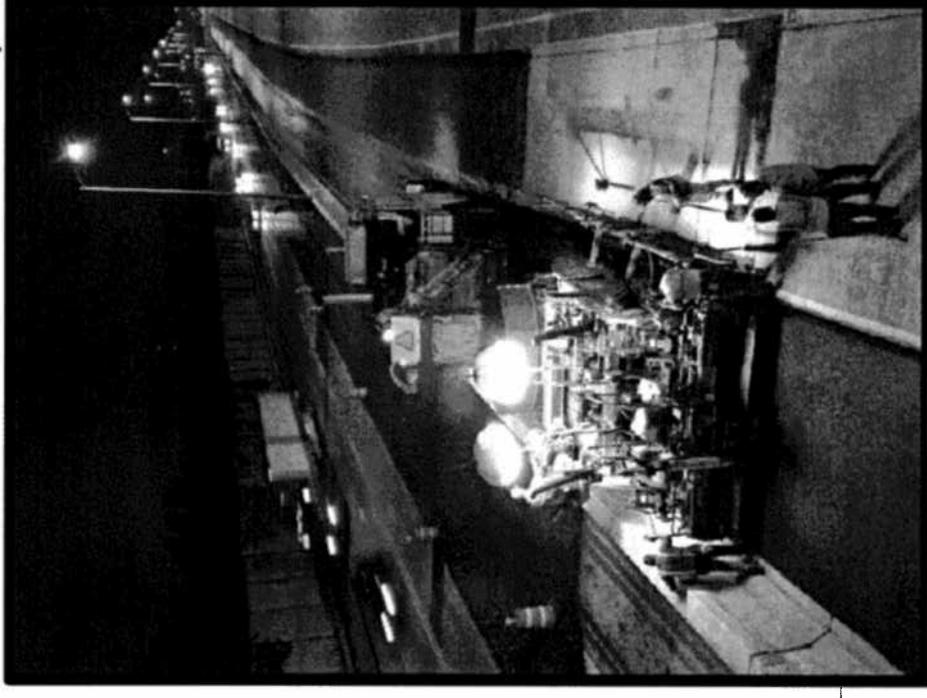
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Small Business Initiative

April 25, 2013

Small Business Initiative

- ▶ Ensure that small businesses have an **opportunity to participate** in *Move Illinois*
- ▶ Put small businesses in a **position to grow and succeed** as prime contractors
- ▶ **Two-part approach:**
 1. Small business contracts
 2. Small business goals

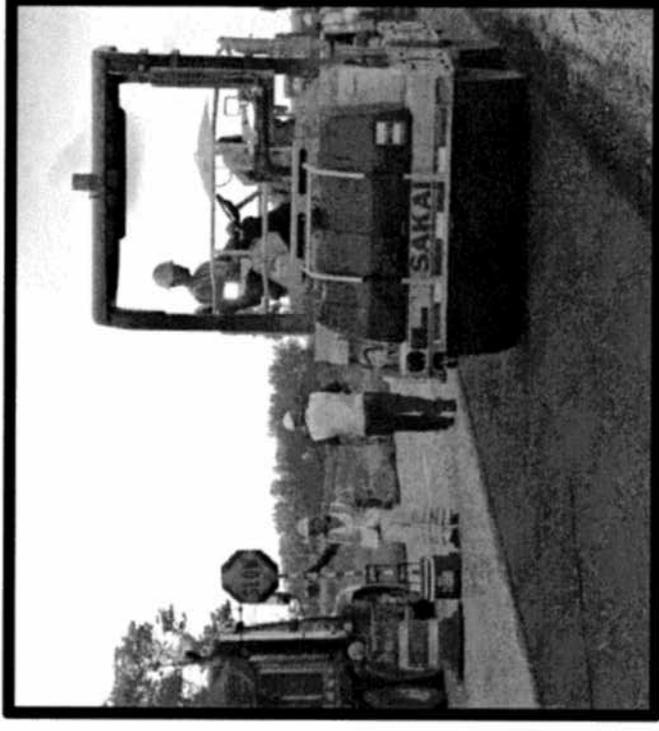


Qualifications

- ▶ **Businesses with gross revenues of \$10 million or less annually**
- ▶ **Approved on IDOT's list of prequalified bidders**
 - ▶ Required on a case-by-case basis
- ▶ **Registration in the state's Small Business Set Aside Program**
 - ▶ Chief Procurement Officer coordinates
 - ▶ Confirms small businesses are not affiliate companies of a large, established contractors

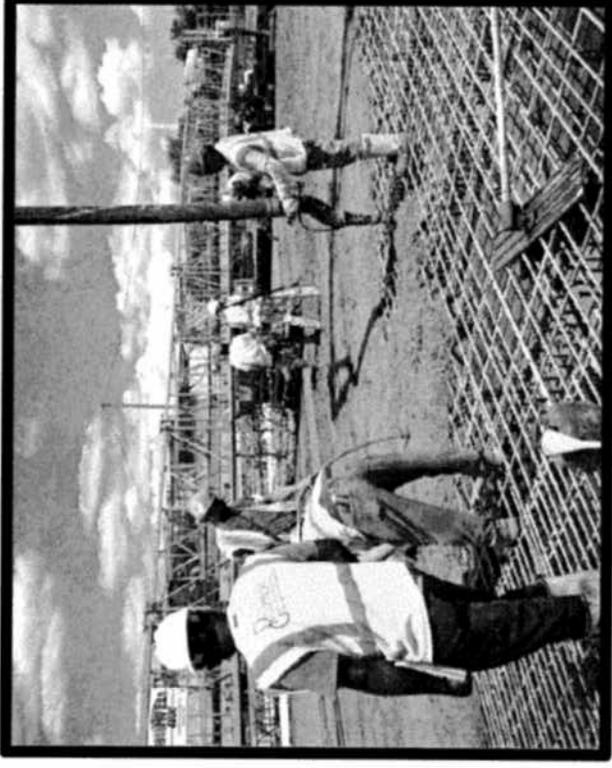
Small Business Contracts

- ▶ An extension of efforts to unbundle contracts
- ▶ Contract value of generally less than \$1 million provides best opportunity for contracts identified specifically for small businesses
- ▶ Schedule of contracts to be **identified by Engineering and Diversity Departments**



Small Business Contract Goals

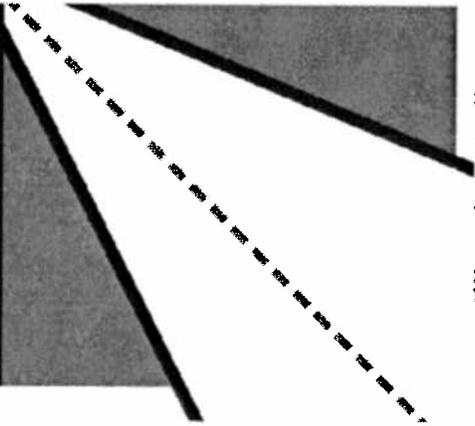
- ▶ Provision allows for goal-
setting for small businesses,
just as it does for
disadvantaged businesses
- ▶ Goals set on a **project-by-**
project basis
- ▶ **No contract value limits**



Next Steps

- ▶ **Identify construction contracts for:**
 - ▶ Disadvantaged Business Enterprise (DBE) goals
 - ▶ Small business goals or contracts
 - ▶ Combination of both, DBE and small business goals
- ▶ **Begin with contracts scheduled to advertise in May**
- ▶ **Coordinate outreach efforts to assist small businesses**
 - ▶ Registration assistance for the state's Small Business Set Aside Program
 - ▶ Outreach to construction firms and industry advocacy organizations

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