

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

October 24, 2013

The Illinois State Toll Highway Authority met in regular session on Thursday, October 24, 2013, at approximately 9:00 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 Terry D’Arcy
Director Earl Dotson, Jr.
Director David Gonzalez
Director Mark Peterson
Director Jeff Redick
Director James Sweeney
Director Tom Weisner

Not Present:

Governor Pat Quinn
Secretary Ann Schneider

PUBLIC COMMENT

Chair Paula Wolff called for public comment. No public comment was submitted.

CHAIR’S ITEMS

Chair Wolff called for a motion to approve the minutes of the Board Meeting and Executive Session held on September 26, 2013. Director Banks made a motion for approval; seconded by Director Peterson. The motion was approved unanimously.

STANDING COMMITTEE REPORTS

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

Finance, Administration and Operations Committee

Director Peterson stated that, at the Finance, Administration and Operations (FAO) Committee meeting, the **Finance** Department gave a presentation of the 2014 Tentative Budget recommendation to the Committee. Mike Colsch, Chief of Finance, and Cathy Williams, Deputy Chief of Finance, will present to the full Board later in the meeting. The Tentative Budget includes \$295 million for operations, an anticipated 4.2 percent increase, \$1,435 million for the capital program, and \$334 million to fund debt service on Tollway bonds. The Tentative Budget was approved by the FAO Committee.

The Committee also approved an extension of the Standby Bond Purchase Agreement with Heleba Bank. The extension is recommended by the Tollway's financial advisor and proposes a lower fee through the final term of the bonds, January 3, 2017.

Procurement presented two items:

- An award of an Order against a CMS Master Contract for the annual purchase of Oracle Software Licensing Support and Maintenance.
- An award of a Tollway IFB to purchase Elevator Maintenance, Inspection, Repair, and Full Hydraulic Testing Services.

Engineering presented twelve items. Of the items presented at Committee, one requires further discussion by the Board:

- 4 new construction contract awards
- 2 new professional services contracts
- 1 change order on a construction contract

- 1 supplement to a construction management contract
- 3 requests for final release of retainage, and
- 1 land acquisition item (DiBenedetto parcel disclosures). Director Peterson reminded the Board that this item was introduced and discussed at the September Board of Directors meeting and now just requires a final vote of the Board.

Legal presented 5 items:

- An Intergovernmental Agreement (IGA) with the City of Elgin – In connection with improvement work on I-90, Tollway will be removing and replacing the Fox River Bridge. The IGA will primarily provide the Tollway with access (via easements and fee simple grants) to perform necessary construction on land presently owned by Elgin. The Tollway also will get various property rights in the area of the bridge for haul routes and drainage maintenance. Elgin is agreeing to provide all necessary municipal permits and to provide other cooperation. Cost for the IGA is \$0; all associated Tollway costs will get handled through actual construction contracts with third party vendors.
- IGA with the Illinois Department of Transportation (IDOT) – This IGA establishes a cooperative process to enable the Tollway and IDOT to share information regarding the permitting process for “overweight and over-dimensional” vehicles. The IGA should assist the motoring public by making the permit process more efficient through sharing information on permitting process and requirements and bridge and roadway capacity. There is no cost associated with the IGA.
- Personal injury litigation matter—The Committee discussed, in

Executive Session, an update on a personal injury lawsuit involving a Tollway employee who was struck while in a Tollway vehicle by an under-insured third-party driver. No Board action is required.

- 70 MPH Legislative Update and Needed Board Action – The matter appeared on the FAO Agenda but discussion/action was deferred.
- Collective Bargaining Agreement – The matter appeared on the FAO Agenda but discussion/action was deferred.

Strategic Planning Committee

Director Weisner summarized the Strategic Committee Meeting on October 16, 2013.

Discussion centered on the subject of freight. Highlights included:

- Commercial vehicles account for approximately 12% of Tollway traffic and 33% of revenue.
- Consideration of parking options including oases and toll plazas, as well as examining private industry options.
- Discussion of over-weight and over-size permitting throughout the region.
- Concern that no single point of contact exists for regional freight issues, and staff was directed to examine options to coordinate between the Tollway, Illinois Department of Transportation (IDOT), and the Chicago Metropolitan Agency for Planning.

Chair Wolff thanked the committees for their work.

EXECUTIVE DIRECTOR

Chair Wolff introduced Executive Director Kristi Lafleur to update the Board.

Executive Director Lafleur introduced Mike Colsch, Chief of Finance, to present the 2014 Tentative Budget. [See attached presentation.](#)

Director Peterson thanked Mr. Colsch and the Finance Department for their work on the 2014 Tentative Budget. Director Peterson then inquired as to the reason for a projected increase in toll revenue, relative to the budget. Mr. Colsch responded that the increase was based on an increase in evasion recovery and a function of the construction cycle.

Chair Wolff also thanked Mr. Colsch and reminded Directors that they could refer to their copy of the 2014 Tentative Budget book for further information.

Executive Director Lafleur stated that a representative of Public Finance Management (PFM) was present to discuss ways in which the Tollway was financing its capital program. Mr. Colsch then introduced Jill Jaworski, of PFM to present on Move Illinois Financing Costs. [See attached presentation.](#)

Chair Wolff asked Ms. Jaworski to provide a general explanation of hedging. Ms. Jaworski compared hedging to insurance, primarily for the purpose of securing low interest rates in anticipation of the possibility of rates rising.

Executive Director Lafleur asked Ms. Jaworski to provide information on the actual rate of interest for bonds sold in 2013 compared to the projected rate of interest for bonds under the Move Illinois program. Ms. Jaworski stated that the actual rate of interest for 2013 bonds was less than the anticipated rate of interest. Ms. Jaworski also pointed out that the total value of bonds sold in 2013 was less than the projected total value, which meant that the total amount paid on bond interest is less as well.

Chair Wolff pointed out that interest rates had changed since the initial sale of bonds in 2013. Ms. Jaworski agreed and stated that interest rates had increased to a point closer to the projected interest rate to be paid on bonds for the Move Illinois program.

Director Peterson asked if dividing a bond sale into offerings issued on a monthly basis would help mitigate any risks from a single large bond sale. Ms. Jaworski stated that entering the market on a monthly basis may not be desirable due to costs to the Tollway incurred in conjunction with each bond sale; as well as such frequent entries into the market may not be desirable to bond buyers. Mr. Colsch agreed and stated that some options to divide bond sales into different size offerings could be examined, however, offerings need to be of a certain size to attract investors.

Director Sweeney inquired if the recent shutdown of the federal government and the timing of the extension of the federal debt limit had any effect on the bond market. Ms. Jaworski stated that it did not have any immediate effect on the bond market, however, increases in interest rates may have been accelerated by the economic effects of the federal government shutdown and timing of the federal debt limit extension. Ms. Jaworski also stated that the Federal Reserve Bank Board of Governors appeared likely to continue the quantitative easing program designed to keep interest rates low.

Director Dotson asked about the timing of locking in lower interest rates. Ms. Jaworski stated that, while predicting interest rates is difficult, the chance exists for interest rates to increase in the next year.

Executive Director Lafleur asked Ms. Jaworski to discuss the monthly cost of carrying debt as a function of interest rates. Ms. Jaworski stated that while carrying any debt comes with costs, debt secured at a higher

interest rate will carry significantly increased costs. Thus, incurring debt at a lower interest rate can be beneficial.

Director Redick inquired if moving up scheduled construction work to coincide with bond sales at lower rates was a practical solution. Paul Kovacs, Chief of Engineering, stated that moving up scheduled construction work would be difficult, as program implementation is scheduled well in advance of when work actually starts. Director Sweeney added that significant acceleration of construction work created the possibility of an increase in the cost of the work, beyond current cost projections. Mr. Kovacs responded that some price inflation was considered during the process of developing cost projections for the Move Illinois program.

Director D'Arcy asked if several new national construction firms which have entered the regional market could lower potential inflationary pressures on the capital program. Mr. Kovacs stated that would be a possibility. Director Peterson asked if new firms had the capacity to handle Tollway work. Mr. Kovacs stated that he anticipated firms would have the capability to handle Tollway work.

Director Weisner asked if anticipated spending could meet legal requirements for spending should bond sales be accelerated. Mr. Colsch stated that, based on anticipated spending, an accelerated sale of bonds would meet spending requirements. Discussion ensued on required spending time-frames. Mr. Colsch stated that he was comfortable with an accelerated bond sale schedule.

Chair Wolff stated that, based on consensus of the Board, Tollway staff should be prepared to enter the bond market at an accelerated rate, but should also examine the suggestion of Director Peterson to divide a single large sale into several smaller sales should such an

effort be feasible and financially desirable. Executive Director Lafleur stated that the Tollway staff would begin that process and would keep the Board informed of bond sale efforts.

Executive Director Lafleur stated that further discussion of bond sales and financial strategies would occur and that these discussions would continue to occur in conjunction with the work of the FAO Committee.

Executive Director Lafleur introduced Mike Stone, Chief of Staff, to update the Board on changes to the speed limit on portions of the Tollway, to 70 MPH. [See attached presentation.](#)

Chair Wolff asked how the Tollway would handle an increase to 70 MPH by the State of Wisconsin on the portion of I-94 near the Illinois border. Would an additional resolution be brought before the Board to increase the limit on the Tollway's northern segment of I-94? Mr. Stone stated that an additional resolution of the Board would be presented and that the Joint Committee on Administrative Rules (JCAR) recommended that the Tollway follow this procedure. Mr. Stone stated that further speed limit change resolutions may be sought as a result of the completion of Tollway construction projects and further speed studies.

Director Dotson inquired about the definition of Urban District and how the Tollway made the determination of what constituted an area outside of an Urban District. Mr. Stone responded that the Tollway used the definition from the Illinois Vehicle Code.

Director Sweeney inquired about the cost to the Tollway to change current speed limit signs. John Benda, Chief of Maintenance and Traffic, estimated the cost to be \$26,000.

Consent Agenda

Chair Wolff reminded the Board and guests that items on the Consent Agenda were previously reviewed in detail in Committee.

Chair Wolff then began the Consent Agenda by calling for a motion to approve the following **Finance** resolutions:

Item 1: Resolution approving the extension of the Standby Bond Purchase Agreement for the Authority's \$123.1M Series 1998B Bonds from the current expiration date of 12/27/2013 to a date not to exceed the Series 1998B principal final payment date (1/3/2017).

Item 2: Resolution approving the 2014 Tentative Budget.

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

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

Item 1: Award of Contract 13-0314 to Mythics, Inc. for the purchase of Oracle Software Licensing Support and Maintenance in an amount not to exceed \$1,112,083.18 (Order Against CMS Master Contract).

Item 2: Award of Contract 13-0077 to South West Industries, Inc. d.b.a. Anderson Elevator Company for the purchase of Elevator Maintenance, Inspection, Repair, and Full Hydraulic Testing Services in an amount not to exceed \$97,764.00 (Tollway Invitation for Bid).

Director Sweeney made a motion for approval of **Procurement Items 1-2**; seconded by Director Dotson. The motion was approved unanimously.

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

Item 1: Award of Contract I-13-4606 to F.H. Paschen, S.N. Nielsen & Associates, LLC for Roadway and Bridge Construction on the Elgin O'Hare Expressway at Milepost 12.5 (I-290), in the amount of \$36,693,783.71. (Director D'Arcy recusal)

Director Peterson made a motion for approval of **Engineering Item 1**; seconded by Director Gonzalez. The motion was approved unanimously, with Director D'Arcy recusing himself.

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

Item 2: Award of Contract I-13-5679 to F.H. Paschen, S.N. Nielsen & Associates, LLC for Grading, Drainage and Wall Construction on the Jane Addams Memorial Tollway (I-90) from Milepost 76.26 (Lee Street) to Milepost 77.85 (Kennedy Expressway), in the amount of \$13,235,728.69.

Mr. Kovacs presented **Engineering Item 2**, and stated that the award was partially as a result of participation in the Tollway's Earned Credit Program.

Director Peterson asked about the contractor's capacity to complete the volume of work undertaken on Tollway projects. Mr. Kovacs stated the contractor indicated he was comfortable with the capacity.

Chair Wolff asked for further information on contracts meeting Disadvantaged Business Enterprise (DBE) goals. Mr. Kovacs provided a summary of the DBE goals on Engineering items.

Item 3: Award of Contract I-13-5680 to F.H. Paschen, S.N. Nielsen & Associates, LLC for Grading, Drainage and Wall Construction on the Jane Addams Memorial Tollway (I-90) from Milepost 74.6 (Mt. Prospect Road) to Milepost 76.4 (Lee Street), in the amount of \$29,077,608.48.

Item 4: Award of Contract RR-13-9139R to The Bowa Group Inc. for Roof Repairs and Replacements on the Tri-State Tollway (I-294) at Milepost 41.6 (Maintenance M-3 & R&S Building), Milepost 40.5 (Plaza 32 O'Hare Interchange), Milepost 40.3 (Plaza 31 O'Hare West) and Milepost 2.5 (Plaza 47 Halsted), in the amount of \$765,996.00.

Item 5: Acceptance of Proposal from Knight E/A, Inc., on Contract I-13-4098 for Construction Management Services for Retaining Wall, Crossroad Bridge Reconstruction and Bridge Widening on the Jane Addams Memorial Tollway (I-90) from Milepost 60.8 (West of Higgins Road) to Milepost 68.2 (IL 53), in an amount not to exceed \$3,081,270.89.

Item 6: Acceptance of Proposal from HR Green, Inc., on Contract I-13-4105 for Construction Management Services for Bridge Reconstruction on the Jane Addams Memorial Tollway (I-90) at Milepost 61.3 (Higgins Road) and Milepost 62.2 (Barrington Road), in an amount not to exceed \$6,105,035.04.

Item 7: Change Order on Contract I-11-4000 to Plote Construction, Inc. for Reconstruction on the Jane Addams Memorial Tollway (I-90)

and IL Route 47 Interchange, Milepost 45.6 (Sandwald Road) and Milepost 47.3 (IL Route 47), in the amount of \$228,241.30.

Director Redick made a motion for approval of **Engineering Items 2-7**; seconded by Director Banks. The motion was approved unanimously.

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

Item 8: Acceptance of Proposal from Milhouse Engineering & Construction, Inc. on Contract I-12-4038 for Supplemental Construction Management Services for Roadway Widening on the Jane Addams Memorial Tollway (I-90) from Milepost 17.4 (I-39) to Milepost 53.8 (Elgin Toll Plaza) in the amount of \$69,650.00 from \$2,900,000.00 to \$2,969,650.00. (Director D’Arcy recusal)

Director Sweeney made a motion for approval of **Engineering Item 8**; seconded by Director Gonzalez. The motion was approved unanimously, with Director D’Arcy recusing himself.

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

Item 9: Final Release of Retainage on Contract I-11-5624 to Plote Construction, Inc. for Roadway Reconstruction and Widening on the Reagan Memorial Tollway (I-88) from Milepost 114.2 (Deerpath Road) to Milepost 113.4 (IL 56), in the amount of \$475,683.79.

Item 10: Final Release of Retainage 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 \$305,600.84.

Item 11: Final Release of Retainage on Contract RR-11-5635 to Central Blacktop Company, Inc. for Southbound Roadway and Bridge Rehabilitation on the Tri-State Tollway (I-294) from Milepost 17.6 (95th Street) to Milepost 30.0 (Cermak Road Plaza); and Reagan Memorial Tollway (I-88) at Milepost 138.7 (Cermak Road), in the amount of \$157,248.00.

Item 12: Amended DiBenedetto (Identification of Real Estate Parcels associated with the Elgin O’Hare Western Access (EOWA)). Cost to the Tollway: N/A.

Director D’Arcy made a motion for approval of **Engineering Items 9-12**; seconded by Director Peterson. The motion was approved unanimously.

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

Item 1: An Intergovernmental Agreement with the City of Elgin. Cost to the Tollway: \$ 0

Item 2: An Intergovernmental Agreement with the Illinois Department of Transportation. Cost to the Tollway: \$0

Item 3: Settlement – Richard Nytko. Cost to the Tollway: To be Discussed in Executive Session.

David Goldberg, General Counsel, stated that **Legal Item 3** would have no Board action at the October meeting.

Item 4: Amendments to the Administrative Rules. Cost to the Tollway: \$ 0

Director Redick made a motion for approval of **Legal Items 1, 2, and 4**; seconded by Director Dotson. The motion was approved unanimously.

At approximately 10:42 a.m., Mr. Goldberg indicated the need to discuss Tollway personnel matters, collective bargaining matters, real estate acquisition and litigation matters in Executive Session pursuant to Sections 2(c)(1), 2(c)(2), 2(c)(5) and 2(c)(11) of the Open Meetings Act. Director Peterson made the motion to enter into Executive Session; seconded by Director Banks. The motion was approved unanimously.

At approximately 12:08 p.m., the Committee re-entered the public session of the Board meeting.

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

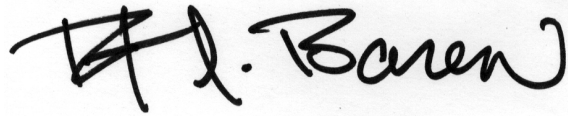
Item 5: Approval of a Collective Bargaining Agreement with Metropolitan Alliance of Police, Chapter 135 (Telecommunicators). Cost to the Tollway: To be Discussed in Executive Session.

Director Banks made a motion for approval of **Legal Items 5**; 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 D'Arcy; seconded by Director Peterson. The motion was approved unanimously.

The meeting was adjourned at approximately 12:10 p.m.

A handwritten signature in black ink that reads "R.J. Baren". The signature is written in a cursive style with a large, stylized initial "R".

Minutes taken by: _____

Robert J. Baren
Assistant Board Secretary
Illinois State Toll Highway Authority



2014 Tentative Budget

October 24, 2013

2014 Budget Schedule

October

- ✓ Tentative 2014 Budget presented to Board

November

- ✓ Public review/comment on Tentative 2014 Budget
 - November 12 public hearing at Tollway Headquarters
 - November 19 open house at Hinsdale Oasis
- ✓ Public comments presented to Board
- ✓ Incorporate changes arising from review process

December

- ✓ Board votes on Final 2014 Budget

2014 Tentative Budget Priorities

2014 BUDGET ALIGNED WITH TOLLWAY PRIORITIES

- ✓ Upholding public safety
- ✓ Furthering transparency and accountability
- ✓ Enhancing customer service
- ✓ Promoting economic growth
- ✓ Increasing collaboration
- ✓ Fostering environmental responsibility

2014 Tentative Budget Highlights

2014 BUDGET HIGHLIGHTS

Revenue

- ✓ Steady growth

Maintenance and Operations

- ✓ Modest increase supports *Move Illinois* and consistent with financial plan

Capital Program

- ✓ Largest amount committed for infrastructure improvements in Tollway's history

2014 Revenue Sources

REVENUES SHOW STEADY GROWTH

(\$ millions)

<i>Sources of Revenue</i>	FY 2013 Budget	FY 2013 Estimates	FY 2014 Projections
Toll Revenue and Evasion Recovery *	\$977	\$987	\$1,005
Investment Income	1	1	2
Concessions and Miscellaneous Revenue	8	10	8
Revenue Total	\$986	\$998	\$1,015

* CDM Smith's expected toll revenue estimate for fiscal year 2014 totals \$1,015 million. Tollway makes adjustments to reflect toll non-payments, underpayments and evasion recovery. Please refer to Page 183 of the 2014 Tentative Budget Book for additional information.

2014 Revenue Allocations

REVENUE ALLOCATIONS TO MAINTENANCE AND OPERATIONS, DEBT SERVICE AND CAPITAL SUPPORT MOVE ILLINOIS

<i>Allocations of Revenue</i>	FY 2013	FY 2013	(\$ millions)
	Budget	Estimates	FY 2014 Projections
Maintenance and Operations	\$283	\$269	\$295
Debt Service Transfer	317	295	334
Deposit to Renewal and Replacement and Improvement	386	435	386
Allocations Total	\$986	\$998	\$1,015

In 2013, maintenance and operations and debt service savings will increase funds for the capital program.

Notes: Totals may not add due to rounding.

Maintenance and Operations

M AND O GROWTH – 4 PERCENT TO SUPPORT KEY PRIORITIES

Public Safety – Illinois State Police - \$2.7 million

- ✓ Troopers increased from 180 to 196

Customer Service – Business Systems - \$2.8 million

- ✓ New customer call center with increased call volume and capacity
- ✓ Increased credit card transactions/revenue

Transparency and Accountability - \$3.6 million

- ✓ Enterprise resource planning system
- ✓ Information technology management services

Diversity - \$0.6 million

- ✓ Small business assistance

Maintenance and Operations

2014 Budget By Category

M AND O GROWTH – 4.2 PERCENT

(\$ millions)

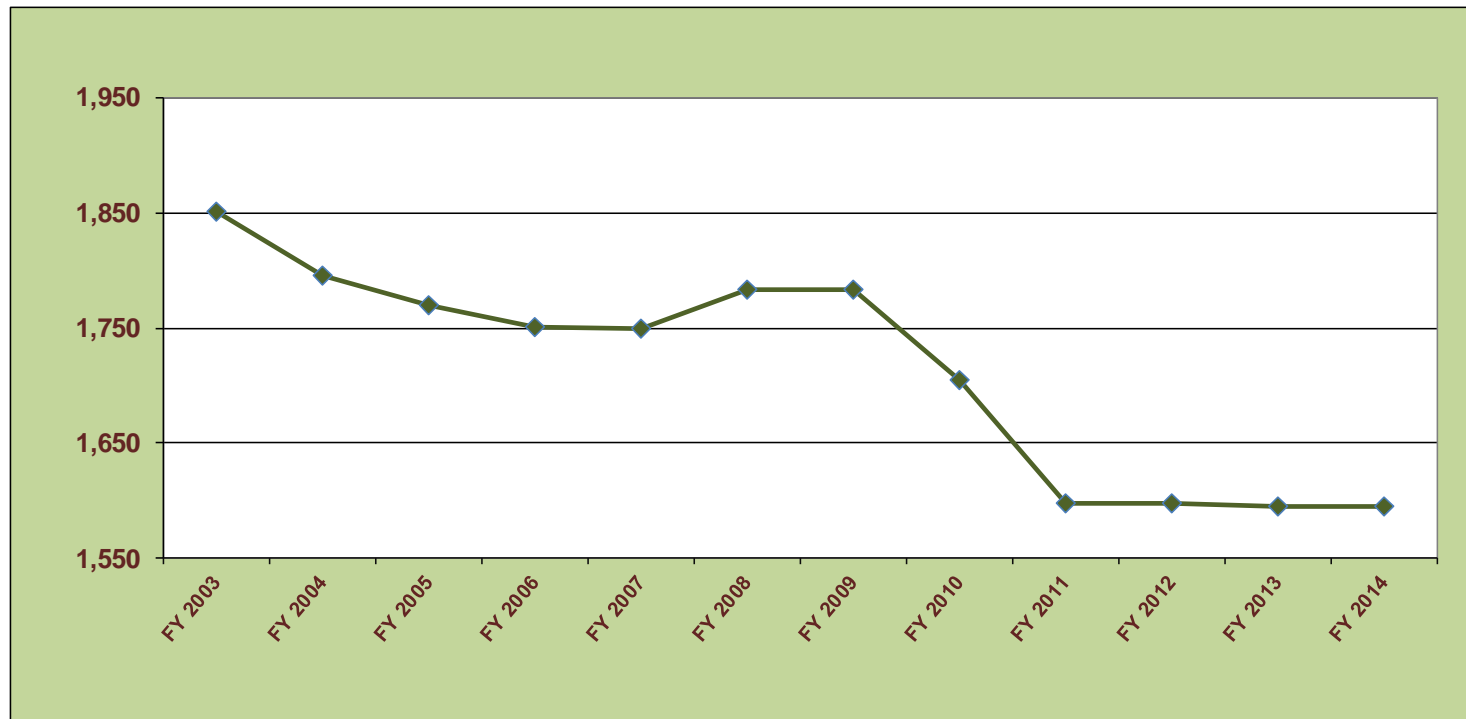
Category	2013 Budget	2014 Budget Request	\$ Change from 2013 Budget
Salary and Wages	\$106.2	\$109.0	\$2.8
FICA and Retirement	48.5	51.6	3.1
Group Insurance	29.2	30.1	0.9
Outside Services (2014 inc. CCC \$2.5M, Tech Asst. \$0.6M)	24.1	26.8	2.7
Consulting Services (2014 inc. ERP \$2.1M, IT Mgmt \$0.9M)	9.2	11.9	2.7
Other Contractual Services	21.1	21.3	0.2
Professional Development	1.0	1.1	0.1
Utilities	5.4	6.0	0.6
Operational Materials and Supplies	8.3	7.5	(0.8)
Parts and Fuels	7.2	6.5	(0.8)
Equipment / Office Rental / Maintenance	15.7	15.7	(0.1)
All Other Insurance	9.9	10.5	0.6
Recovery of Expenses	(2.4)	(2.4)	0.0
Total M and O Costs	\$283.4	\$295.5	\$12.0

Note: Totals may not add due to rounding.

Tollway Headcount – As of 12/31 Each Year

HEADCOUNT REMAINS FLAT

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Funded Positions	1851	1796	1770	1751	1750	1783	1783	1704	1598	1598	1595	1595



2014 Debt Service

NEW DEBT PROVIDES FUNDING FOR MOVE ILLINOIS

Outstanding debt \$3.8 billion

- ✓ After January 1, 2014 principal payments

As much as \$900 million new debt issuance

Debt service transfers of \$334 million

- ✓ \$236 million interest expense*
 - Includes an estimated \$26 million interest on new debt
- ✓ \$98 million principal due January 1, 2015
- ✓ \$10 million other credit enhancement costs
- ✓ (\$15) million federal Build America Bonds subsidy

Estimated net debt service coverage of 2.4x and 2.2x in FY2013 and FY2014, respectively

Capital Program Summary

LARGEST AMOUNT COMMITTED FOR INFRASTRUCTURE IMPROVEMENTS IN TOLLWAY'S HISTORY

(\$ millions)

	2013 Budget	2013 Estimated Expenditures	2014 Request
Existing System Needs	\$702.9	\$532.0	\$1,007.0
Jane Addams Memorial Tollway (I-90)	415.2	323.8	729.2
Tri-State Tollway (I-94/ I-294/ I-80)	36.9	46.4	3.9
Veterans Memorial Tollway (I-355)	23.2	17.5	10.1
Reagan Memorial Tollway (I-88)	5.5	7.9	10.6
Open Road Tolling (ORT)	4.1	2.7	4.0
Systemwide Improvements	218.0	133.9	249.2
System Expansion	\$169.1	\$139.8	\$373.5
Tri-State (I-294)/I-57 Interchange	66.7	43.4	85.7
Elgin O'Hare Western Access	95.6	95.6	282.8
Illinois Route 53/120/Other Planning Studies	6.8	0.8	5.0
Capital Program Sub-Total	\$872.0	\$671.8	\$1,380.4
"Other" Capital Projects*	50.0	47.2	55.0
Capital Program Total	\$922.0	\$719.0	\$1,435.4

2013 Estimated Expenditures and 2014 Request do not reflect any IGA reimbursements.

* 2014 "Other" Capital Projects Budget includes new request of \$55 million and \$30.3 million of carryover from 2013.

Totals may not add due to rounding.

Capital Program

KEY CAPITAL HIGHLIGHTS

Jane Addams Memorial (I-90)

- ✓ Rebuilding and Widening Project

Elgin O'Hare Western Access Project

- ✓ Construction of the I-290 Interchange

Tri-State Tollway(I-294)/I-57 Interchange

- ✓ Phase One will be completed in fall 2014

Tri-State, Reagan Memorial and Veterans Memorial Tollways

- ✓ Ramp reconstruction and pavement resurfacing

Illinois Route 53/120 Project

- ✓ Planning studies

Systemwide

- ✓ Toll collection and information technology improvements

Diversity

- ✓ Workforce development

Tentative 2014 Budget Summary

KEY HIGHLIGHTS – 2014 BUDGET

Affordable within the long-term financial plan

- ✓ Revenues continue to show steady growth
- ✓ Third year of *Move Illinois* – total 2014 Capital Program \$1,435 million
- ✓ Operating cost held at 4.2 percent growth
- ✓ \$900 million of new bond issuance to provide funding for current and future capital costs

Technology investments support improved customer service

Appendix

Maintenance and Operations

2014 Budget By Department

(\$ thousands)

Department	2013 Budget	2014 Budget Request	\$ Change from 2013 Budget
Administration	\$4,132	\$4,439	\$306
Business Systems	52,203	54,974	2,771
Communications	1,347	1,449	102
Diversity and Strategic Development	1,396	1,997	601
Engineering	71,920	72,400	480
Executive Office and Directors	1,662	1,661	(0)
Finance	44,121	45,414	1,293
Information Technology	12,176	15,745	3,569
Inspector General	812	813	1
Internal Audit	705	785	81
Legal	1,750	1,857	107
Procurement	4,231	4,356	125
State Police	29,633	32,302	2,669
Toll Operations	57,329	57,262	(67)
Total	\$283,418	\$295,456	\$12,038

Key increases include funding for ERP, IT management services, State Police, toll technologies, insurance and diversity initiatives.

Move Illinois Program Summary

(\$ millions)

	2012 Actual Expenditures	2013 Budget	2013 Estimated Expenditures	2014 Request
Existing System Needs				
Jane Addams Memorial Tollway (I-90)	\$67.6	\$411.7	\$309.2	\$593.0
Tri-State Tollway (I-94/ I-294/ I-80)	1.2	18.1	15.5	3.7
Veterans Memorial Tollway (I-355)	0.0	19.5	13.7	9.2
Reagan Memorial Tollway (I-88)	0.0	0.0	1.3	3.5
Systemwide Improvements	23.5	152.5	94.4	158.4
Existing System Needs Total	\$92.3	\$601.8	\$434.0	\$767.8
System Expansion				
Tri-State Tollway (I-294)/I-57 Interchange	\$9.7	\$66.7	\$43.4	\$80.1
Elgin O'Hare Western Access	6.1	95.6	95.6	282.8
Illinois Route 53/120/Other Planning Studies	0.0	6.8	0.8	5.0
System Expansion Total	\$15.8	\$169.1	\$139.8	\$367.9
Move Illinois Program Total	\$108.2	\$770.9	\$573.8	\$1,135.7

Notes:

2012 Actual Expenditures reflected cost recoveries of \$17.3 million pursuant to inter-governmental agreements (IGA), and 2013 Estimated Expenditures and 2014 Request do not reflect any IGA reimbursements.

Totals may not add due to rounding.



Congestion-Relief Program/Other Capital Summary

(\$ millions)

	2012 Actual Expenditures	2013 Budget	2013 Estimated Expenditures	2014 Request
Congestion-Relief Program (CRP)				
Tri-State Tollway (I-94/ I-294/ I-80)	\$97.3	\$18.8	\$30.9	\$5.8
Jane Addams Memorial Tollway (I-90)	21.5	3.5	14.6	136.2
Reagan Memorial Tollway (I-88)	58.8	5.5	6.6	7.1
Veterans Memorial Tollway (I-355)	0.7	3.7	3.8	0.9
Open Road Tolling (ORT)	1.4	4.1	2.7	3.9
Systemwide Improvements	26.7	65.4	39.5	90.8
Congestion-Relief Program Subtotal	\$206.4	\$101.0	\$98.0	\$244.7
"Other" Capital Projects Subtotal *	36.9	77.2	47.2	55.0
CRP and "Other" Capital Projects Total	\$243.3	\$178.2	\$145.2	\$299.7

Notes:

2012 Actual Expenditures reflected cost recoveries of \$3.7 million pursuant to inter-governmental agreements (IGA), and 2013 Estimated Expenditures and 2014 Request do not reflect any IGA reimbursements.

* 2014 "Other" Capital Projects Budget includes new request of \$55 million and \$30.3 million of carryover from 2013.

Totals may not add due to rounding.



Capital Program

KEY CAPITAL PROJECTS - 2014

Jane Addams Memorial (I-90) – \$729 million

- ✓ West Segment from I-39 to Elgin Toll Plaza
 - Westbound roadway rebuilding and widening
 - Eleven local crossroad bridges over I-90
- ✓ East Segment from Elgin Toll Plaza to Kennedy Expressway
 - Local crossroad bridge and interchange reconstruction
- ✓ Advance retaining wall and noisewall construction
- ✓ Utility relocation, wetland mitigation and right-of-way

Capital Program (continued)

KEY CAPITAL PROJECTS - 2014

Elgin O'Hare Western Access Project – \$283 million

- ✓ I-290 Interchange
 - Completion of final design
 - Start construction

- ✓ Construct and widening – including bridges
 - Meacham Road to Irving Park Road
 - Elmhurst Road Interchange
 - Rohlwing Road bridge

- ✓ Right-of-way purchases and advanced work
 - Elgin O'Hare Extension

Capital Program (continued)

KEY CAPITAL PROJECTS - 2014

Tri-State Tollway (I-294)/I-57 Interchange – \$86 million

- ✓ Complete right-of-way acquisitions
- ✓ Continue new ramp construction

Tri-State Tollway (I-94/I-294/I-80) – \$4 million

- ✓ Completion of ramp reconstruction
 - I-55, I-90/I-190/River Road, U.S. Route 20/Lake Street and Illinois Route 120/Belvidere Road

Capital Program (continued)

KEY CAPITAL PROJECTS - 2014

Reagan Memorial Tollway (I-88) – \$11 million

- ✓ Reconstruction roadway – Design services
 - East of York Road
- ✓ **Resurfacing – Design services**
 - Illinois Route 251 and U.S. Route 30

Veterans Memorial Tollway (I-355) – \$10 million

- ✓ Resurfacing pavement
 - I-55 to Army Trail Road

Capital Program (continued)

KEY CAPITAL PROJECTS - 2014

Illinois Route 53/120 and other planning studies - \$5 million

Open Road Tolling - \$4 million

- ✓ Toll Revenue Management and Maintenance (TRMMP) Program

Capital Program (continued)

KEY CAPITAL PROJECTS - 2014

Systemwide – \$249 million

- ✓ Bridge improvements
- ✓ Pavement improvements
- ✓ Toll collection
- ✓ Information Technology related improvements
- ✓ Maintenance facilities improvements
- ✓ Program support

2014 “Other” Capital Projects Highlights

KEY CAPITAL PROJECTS - 2014

“Other” capital projects – \$55 million

(\$ millions)

✓ Technology	\$ 19
✓ Program support costs	\$ 17
✓ Roadway vehicle and equipment	\$ 7
✓ Building repairs and maintenance	\$ 6
✓ Intelligent transportation systems	\$ 2
✓ Environmental/research	\$ 1

Debt Service Schedule

Fiscal Year	Principal	Interest	(\$ millions)
			Debt Service
2013	93	204	296
2014	98	236	334
2015	103	250	353
2016	104	245	349
2017	108	240	348
2018	134	235	369
2019	145	228	373
2020	151	222	372
2021	158	214	372
2022	166	206	372
2023	174	198	372
2024	174	188	362
2025	197	181	378
2026	227	172	399
2027	238	162	400
2028	249	152	401
2029	261	141	402
2030	272	130	402
2031	276	121	397
2032	290	106	396
2033	305	89	395
2034	325	71	396
2035	273	53	326
2036	287	39	326
2037	301	24	326
2038	188	9	197

NOTES

- Includes existing debt service plus assumed new money issuance of \$900M during 2014.
- Debt service due January 1 of a given calendar year is included in the prior fiscal year, per the Trust Indenture
- Interest expense does not reflect federal subsidies related Build America Bonds.
- Interest expense includes interest on Series 1998B, 2007A and 2008A estimated at their synthetic fixed rates.





THANK YOU



Illinois Tollway
Managing *Move Illinois* Financing Cost
October 24, 2013



The PFM Group

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To Hedge or Not to Hedge

- Should the Tollway accelerate bond issues in the near term to hedge a portion of its *Move Illinois* Program costs?
 - If so, what amount of 2014 bond issuance should be accelerated for a given interest rate?
- Should the Tollway consider Derivatives to hedge a portion of the Program?
 - If so, how much?
 - What are the costs and risks?

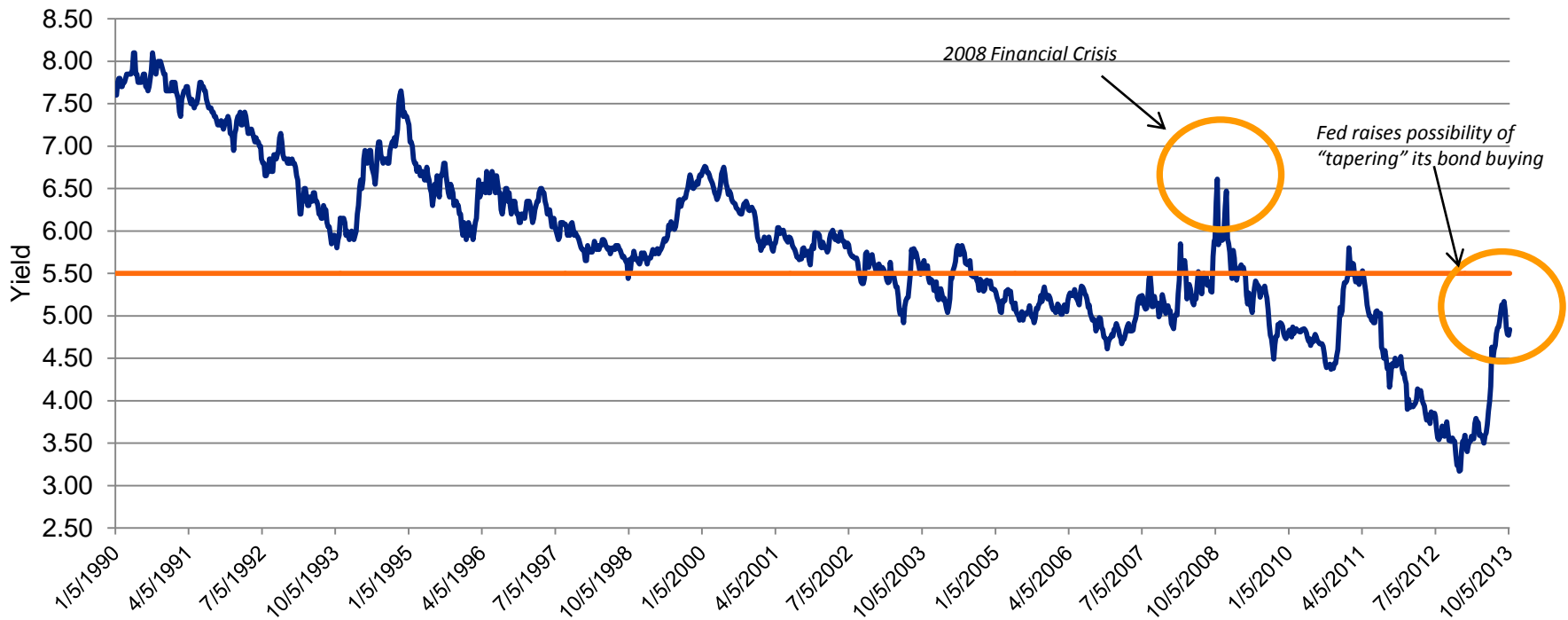
Move Illinois has Interest Rate Risk

- Estimated funding of the \$12.1 billion *Move Illinois* Program includes \$5.1 billion of Bonds, generating an estimated \$4.8 billion for *Move Illinois* and \$0.3 billion for debt service reserve
- \$4.6 billion of Bonds planned over the next 9 years in addition to the \$500 million 2013 Series A Bonds
 - Borrowing cost assumed 5.00% in 2014 and 5.50% thereafter
 - Financial plan currently unhedged / exposed to interest rate risk
 - Each 1 basis point rise in interest rates (.01%) increases the present value of the debt service by approximately \$5 million

Hedging Mitigates the Financial Risk of the Capital Plan

- Current market borrowing rates remain below historical averages
- The Tollway could implement hedging strategies to capture some of the value in the current rate environment and remove some future interest rate exposure

25-Year AAA MMD GO Index plus 0.75%



Hedging Strategies

- The Tollway can implement strategies to reduce exposure to rising borrowing costs in both the near term and the long term
 - Near-term strategy – consider accelerating 2014 bond issuance
 - Long-term strategy – consider derivatives options for managing interest rate risk of later bond issues

Near Term Hedging

- Advance 2014 bond issuance
 - The Tollway’s current plan for *Move Illinois* bond issuance in 2014 is \$450 million in March and \$450 million in September
 - Current rates can be accessed by accelerating bond issuance, at a cost of the increased “negative carry.” Assuming market rates are unchanged:
 - Issuing Mar 2014 Bonds 4 mos early would increase cost 0.06% (\$7.4M PV)
 - Issuing Sep 2014 Bonds 10 mos early would increase cost 0.14% (or \$18.0M PV)
- Benefits: locks in current rates
- Risks / Disadvantages:
 - If rates decline, the Tollway would not benefit and would have incurred the cost of “carrying” the bond proceeds at a very low earnings rate
 - If spend-down of funds were slower than expected, the cost of the “negative carry” would increase (approx. \$1.8M per month per \$450M par amount)
 - Advance funding is limited by IRS regulations requiring bond proceeds to be spent within 3 years

Long Term Hedging Options for Future Consideration

- Longer term hedging can be accomplished through Derivative products including forward floating-to-fixed swap agreements and swaptions
- Enables access to fixed rate market years ahead of bond issuance
- Forward floating-to-fixed swap – upon bond issuance Tollway either:
 - Terminates swap, pays/receives swap termination payment and issues fixed rate bonds; or
 - Keeps swap and issues variable rate bonds.
- Swaption – upfront payment now for the option to enter into a swap agreement at a future date
- Both products can protect against rising rates, but carry certain risks, including counterparty risk and basis risk
- TIFIA loans may provide another hedging alternative for certain projects

Next Steps

- Determine amount of 2014 bond issuance to accelerate
- Evaluate derivative products as long-term hedging strategy
 - Calculate long-term exposure
 - Evaluate how to best manage the Tollway's exposure
 - Determine implementation strategy
 - Analyze impact on current derivatives portfolio and debt policies / guidelines
 - Determine if legislative changes are necessary to broaden the Tollway's strategic options
 - Assess impact of long-term hedging strategies on credit ratings
 - Short-term hedging (i.e. accelerating all or portion of 2014 bond issuance) not expected to impact credit ratings



Potential Speed Limit Increase

October 24, 2013

Background

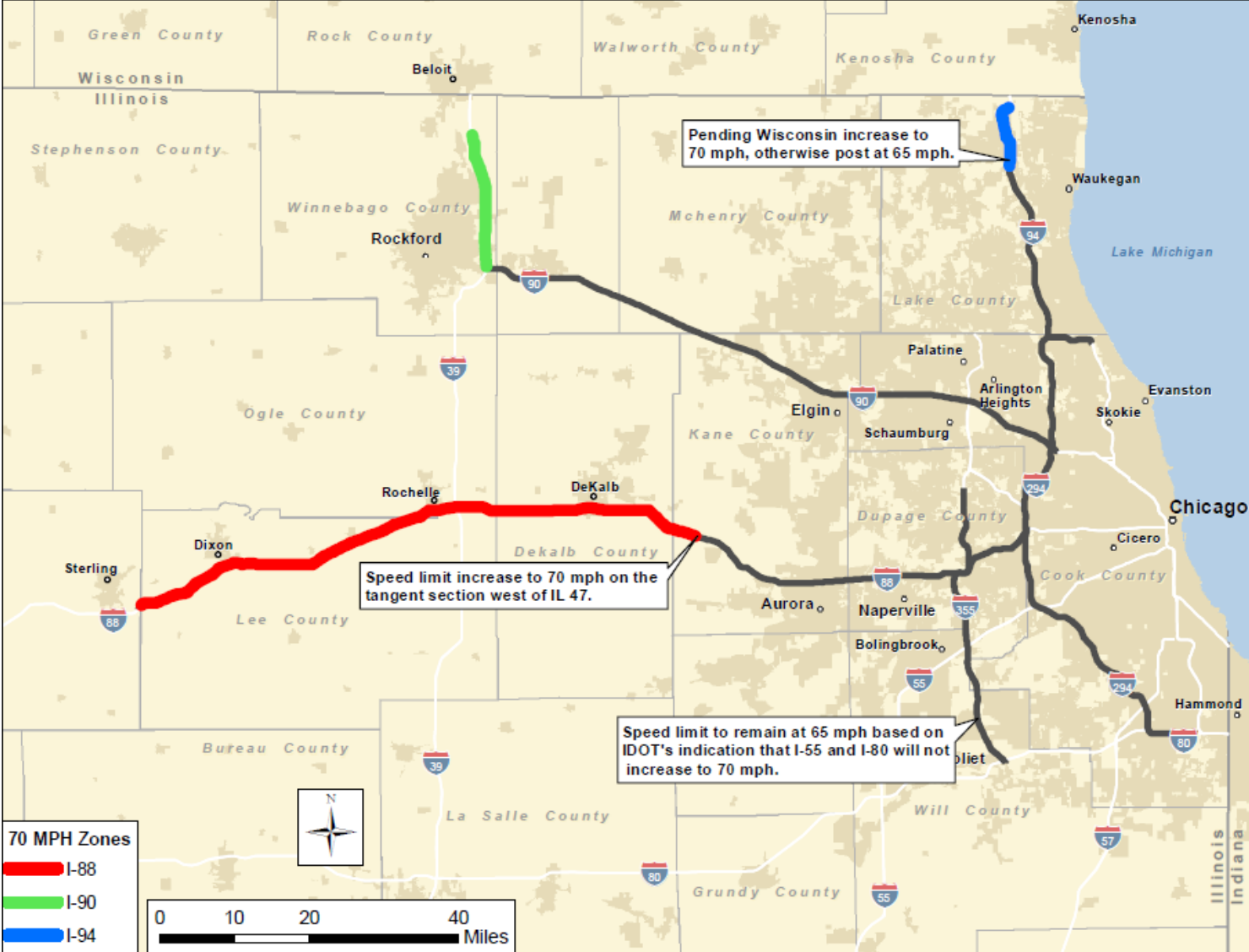
- ▶ **New Illinois law increases current speed limit (65 mph) to 70 mph effective January 1, 2014, and applies to interstate highways outside an urban district**
- ▶ **Illinois Department of Transportation changing speed limits in 2014**
- ▶ **Illinois Tollway must satisfy procedural requirements to increase speed limits**



Process for Increasing Speed Limits

- ▶ **Initiated by the Illinois Tollway Traffic Operations Safety Committee**
- ▶ **Performing requisite Engineering Speed Limit Study**
- ▶ **Rule change must be approved by the following:**
 - ▶ Illinois Tollway Board of Directors
 - ▶ Illinois Department of Transportation
 - ▶ Joint Committee on Administrative Rules (JCAR)
- ▶ **Secretary of State publishes the rule**
- ▶ **Once approved, the Tollway would change roadway signage as soon as January 2014**

Tollway's Candidate Locations

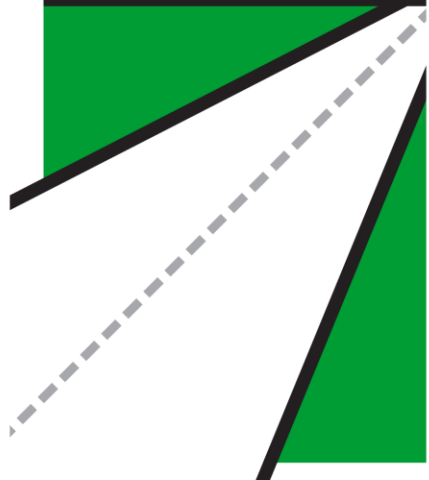




Tentative Schedule Moving Forward

Task	Date
Tollway completes speed studies	Early October
Tollway submits paperwork to JCAR	October
Board of Directors consider speed limit increase	October
Tollway sends recommendation to IDOT for concurrence	October
Tollway submits the rule change to the Secretary of State for publication	December
Tollway sign shop installs new roadway signage	January 2014

**MOVE
ILLINOIS**



The Illinois Tollway

**DRIVING
THE FUTURE**

THANK YOU
