

Executive Summary

BUDGET Fiscal Year 2004 – THE ROAD TO REFORM

The Illinois Tollway will continue its journey on the Road to Reform in 2004. The new leadership appointed by Governor Rod Blagojevich will advance his reform mandate by funding initiatives that increase accountability, implement business efficiencies and improve customer service. The ongoing implementation of cost-savings measures and business efficiencies will allow the maintenance of existing roadways in a state of good repair without increasing tolls, but will prevent initiation of any major capital projects in the coming year.

2003 Accomplishments

In 2003, changes were made to run the Illinois Tollway more like a business and these improvements will be built upon in 2004.

Accountability

Efforts to increase accountability included the hiring of a new Inspector General, who is empowered to root out and independently investigate alleged fraud, waste and mismanagement in the day-to-day operations of the Illinois Tollway, its employees and contractors. Improvements to the Illinois Tollway's personnel process also began by working with the Illinois State Police to digitally fingerprint and conduct background checks on all current employees to insure they are trustworthy and qualified for their jobs.

As part of the effort to increase transparency to the outside world, all Illinois Tollway publicly bid contracts are now posted on the Tollway's Web site and efforts have been made to inform a more diverse group of vendors on how to do business with the Tollway.

Efficiency

To increase efficiency, processes were streamlined and the staff was reorganized to eliminate redundancies and focus on running the Tollway more like a business. Staffing changes to the toll collection process were made primarily during the off-peak period that reduced overtime and allowed us to eliminate more than 100 toll collection positions, primarily through attrition. Efforts to cut waste included reducing the number of employees who have Tollway vehicles for use to and from work by more than half.

A new Planning Department was established to develop and implement new processes that will better articulate the system's needs and goals. This new department is also charged with overseeing the strategic planning process to better define the Tollway's goals and establish methods to measure progress toward those objectives. As evidenced by this budget document, the Finance Department has also worked hard to support transparency by providing budget and financial information in a more generally accepted and comprehensive format.

The Illinois Tollway has also taken steps to reduce uncollected tolls by more aggressively pursuing toll evaders. The implementation of an outside contract to pursue toll violators on a large scale began in January, and a new executive manager, who helped implement the City of Chicago's ordinance and regulatory hearing process, was hired to oversee the Illinois Tollway's system. The goal of this program is to deter evasion and reduce the amount of uncollected tolls. Everyone must pay their fair share since primarily toll revenues fund the Tollway.

Customer Service

There is a renewed focus on providing better service to our customers, and all employees have been trained on the new, higher level of service expected based on the Disney model.

In 2003, construction began on the Oases Redevelopment Project to improve the quality and variety of services provided to customers at the Tollway's seven oases. The Illinois Tollway has joined Wilton Partners and ExxonMobil in 25-year public-private partnership where the private developers will invest \$94 million to rebuild and modernize the oases at no cost to Tollway customers. ExxonMobil has already opened successful new fuel stations including an expanded convenience store and car wash at four oases locations. Tenants already committed to space in the beautiful new over-the-road buildings include McDonald's, which will feature drive-thrus, Starbucks and Travel Mart, with many other vendors to be announced soon.

The new Traffic and Incident Management System (TIMS) was launched in early 2003 and is designed to share travel information and reduce delays caused by incidents on the roadway. The system enables faster response to incidents and clearance of the roadway. In addition to reducing delays, the system generates travel times, which are available to motorists via the Gary-Chicago-Milwaukee Corridor Web site – www.gcmtravel.com.

Because I-PASS is the best way to reduce congestion and improve customer service, expanding the use of I-PASS is a top priority of the reform agenda. In August 2003, Governor Blagojevich announced the I-PASS Expansion Project, which will add 37 new I-PASS Only lanes at 22 locations throughout the Tollway system by spring 2004. Once this effort is completed, I-PASS customers will be able to make their whole trip on the Tollway without stopping – even at many ramp toll plazas. In addition to increasing the benefits of I-PASS, efforts to make I-PASS easier to get included the June launch of an online application at www.getipass.com, sale of transponders at select toll plazas, and increased use of the I-PASS Mobile Unit van at community events such as Taste of Chicago, Ribfest in Naperville, the corporate headquarters for Baxter and BP Amoco.

Fiscal Year 2004 Budget – Overview

The Fiscal Year 2004 Tentative Budget is based upon revenues of \$408 million, an increase of \$9 million or 2.2 percent from revenues projected for 2003. The Fiscal Year 2004 Tentative Budget allocates approximately \$187 million of revenues to the Maintenance and Operations Account, \$141 million is allocated to the Renewal and Replacement Account, and \$80 million to the Debt Service Account.

Operating expenses paid from the Maintenance and Operations Account (M&O) are budgeted at \$187 million in Fiscal Year 2004, leaving an ending balance of \$34 million in this account. Capital expenditures paid from the Renewal and Replacement Account are budgeted at \$257 million in Fiscal Year 2004. These expenditures will be financed with new revenues of \$141 million, \$40 million transferred from the Improvement Account, and a reduction in the balance of the Renewal and Replacement Account.

In addition to balances reserved in the M&O Account this budget provides for ending balances of \$33 million in the Renewal and Replacement Account and \$99 million in the Improvement Account. These balances ensure funds will be available in cases of emergency, disaster or other unplanned contingencies.

The Tentative Budget assumes no toll increase, and allows maintenance of existing roadways in good repair. It also provides for expansion of priority programs such as I-PASS, violation enforcement, roadway communication with customers, and E-Commerce (web site applications). It also provides new funding for the creation of the Office of Inspector General, a new Financial Reporting System (ERP), and Geographic Information Systems.

The Fiscal Year 2004 Tentative Budget incorporates a significant operational reorganization. The reorganization and an ongoing commitment to reform will result in increased accountability, improved business efficiencies, and greater focus on customer service. The reorganization will facilitate implementation of best business practices and reduce operational costs of the Tollway by nearly \$1 million in Fiscal Year 2004.

Operations

Fiscal Year 2004 M&O expenditures are \$845 thousand below Fiscal Year 2003 budgeted amounts. The Tollway is controlling operating expenses and reducing personnel costs while providing new staff and resources to two newly created departments. The Department of Planning will allow the Tollway to enhance its strategic planning and capital planning functions, while the Office of Inspector General, which reports to the Office of the Governor, will provide for improved accountability and expose alleged mismanagement, fraud and waste.

The largest operating cost is personnel services (payroll, social security, and retirement), representing 60 percent of total operating expenditures and about 28 percent of all spending. The Fiscal Year 2004 budgeted full-time personnel headcount is 1803, a decrease of 48 positions or 2.6 percent.

Group health insurance represents a significant portion of the M&O request totaling \$22.4 million, which represents a 10.5 percent increase over 2003 and 12 percent of the operating budget. Group health insurance costs are projected to increase slightly below national trends due to an aggressive review and planned implementation of new health care options for the Tollway employee's. According to benefit consultant Hewitt and Associates based in Lincolnshire, Illinois, health care costs are expected to increase 12.6 percent industry wide in Fiscal Year 2004.

Insurance accounts for 14 percent of the M&O budget. Following is a list of insurance programs that must be funded:

Insurance	2003 Budget	2004 Budget	\$ Change	% Change
Group Insurance	\$19,017,300	\$20,636,600	\$1,619,300	8.5%
Property Insurance	\$1,936,300	\$2,100,000	\$163,700	8.5%
Worker's Comp	\$1,409,600	\$1,475,500	\$65,900	4.7%
State Police Group Insurance	\$1,287,000	\$1,800,000	\$513,000	39.9%
Total Insurance	\$23,650,200	\$26,012,100	\$2,361,900	10.0%

Cost savings

Payroll and Benefit Savings – (\$3.4 million)

Payroll costs are reduced (\$3.4 million) or nearly 3 percent below Fiscal Year 2003 budgeted amounts. This reduction was accomplished despite state mandated increases in retirement, and cost-of-living adjustments for bargaining unit employees. The savings will be achieved principally through a reduction in budgeted headcount by 48 positions.

Road to Reform

Following is a summary of how operating funds have been redeployed and targeted to focus on the reform agenda's commitment to accountability, business efficiencies and customer service.

Office of Inspector General

\$300 thousand - new initiative

An Inspector General has been hired to increase accountability by rooting out and independently investigating alleged fraud, waste and mismanagement in the day-to-day operations of the Illinois Tollway, its employees and contractors. These new funds will pay the salaries of the new Inspector General and two investigators who will be hired to help fulfill the functions of this office. The Office's entire budget of \$697 thousand includes the incorporation of the Toll Audit function, which will be overseen by the new Inspector General.

Employee Background Checks

\$48 thousand - expansion

Last year, the Tollway implemented procedures to ensure each employee had a criminal background check to ensure public safety and the integrity of financial transactions. Additional funds are requested to continue this practice with all new employees and to expand the search for out-of-state criminal background checks and more extensive drug testing.

Planning

\$291 thousand – expansion

The Planning Department was created in 2003 and is annualized into the 2004 budget as part of the Tollway reorganization. The new unit increases business efficiencies by developing plans that better articulate the system's needs and goals and by overseeing the agency's strategic planning process. These funds include the allocation of new resources to this newly created department.

Marketing Program

\$200 thousand – new initiative

This new initiative funds the additional tools needed to expand I-PASS usage and measure customer satisfaction. Funds will be spent to promote the benefits of I-PASS and the distribution of I-PASS, including the partnership with retail stores where customers will be able to purchase a pre-loaded I-PASS in 2004. This enhanced line item will pay for promotional materials and campaigns, including print and radio advertising, as well as direct mail. It will also pay for a baseline survey of customer satisfaction to better understand how customers feel about I-PASS, services including the oases, and toll collection in order to guide improvement efforts and measure their impact.

Violation Enforcement System

\$200 thousand - expansion

The Violation Enforcement System moved from the Finance Department to become a separate division under the Executive Office. Additional funds have been budgeted to ensure the highest level of customer service. The new funds will be used primarily to increase the number of hearings the Tollway provides on a daily basis. This allows more timely adjudication of potential violations and collection of fines.

I-PASS Electronic Toll Collection

\$324 thousand - expansion

The I-PASS program has been reorganized and moved from Finance to Operational Services since congestion relief and customer service are part of the toll collection function. The I-PASS program accounts for approximately 40 percent of all transactions as of September 2003. There has been growth in the number of I-PASS transponders purchased due to an aggressive marketing campaign which includes selling I-PASS transponders at toll plazas and online; as well as making I-PASS available at community events, large employers and shopping centers.

There are ten additional positions budgeted in Fiscal Year 2004. This includes two additional Mobile Customer Service Representatives who will work in the field to sell I-PASS and promote its use as well as make changes to customer accounts. Seven additional Customer Service Representatives are funded to handle the increased issuance of transponders, account management and office support related to new I-PASS distribution outlets, which will

include retail stores in 2004. A new manager is funded to supervise increased staff as well as program growth.

BONDED INDEBTEDNESS

Currently, the Illinois Tollway has six series of outstanding revenue bonds totaling \$742 million. On January 1, 2004, principal of \$41 million will be retired leaving \$701 million debt outstanding. In fiscal year 2004, the Tollway will make interest payments of \$36.3 million and principal payments of \$43.4 million. On January 1, 2005, the Tollway's outstanding debt will be \$657 million.

CAPITAL PROGRAM

The Fiscal Year 2004 Tentative Budget includes \$257 million for the Renewal, Replacement and Improvement Program, commonly referred to as the Capital Program. The Capital Program allows us to maintain the system in a state of good repair with more than 83 percent of funds going to infrastructure preservation. The Governor will also allocate funds to congestion relief, which primarily involves the addition of I-PASS only lanes as a continuation of the I-PASS Expansion Project announced in August 2003.

Road to Reform

The Fiscal Year 2004 Capital Program budget also funds service improvement initiatives that help create business efficiencies including the following:

E-Commerce

\$442 thousand - expansion

The June 2003 launch of an E-Commerce site to market I-PASS online will be enhanced with online account management functions that will allow customers to make payments, view statement and balance information, and receive automated warnings of low balance and credit card expirations.

Intelligent Transportation Systems (ITS)/Roadway Communications

\$11.7 million - expansion

This will fund the expansion of the Tollway's Traffic Incident & Management System (TIMS) and the purchase of additional ITS to improve communications with customers while they are on the roadway. ITS is a combination of TIMS and the Portable & Dynamic Message Signs, and CCTV camera installation. For instance, the purchase of additional overhead dynamic message signs that share travel times and information about incidents ahead so customers have the real-time information they need to make travel decisions.

Financial Reporting System (ERP)

\$10 million – new initiative

Enterprise Resource Planning (ERP) systems improve the internal operations of government in areas such as accounting, budgeting, human resources, payroll, and purchasing. The ERP project will take place in six stages over two years: project planning; request for proposal; vendor evaluation; implementation planning and readiness assessment; contract negotiations; and quality assurance.

Geographic Information Systems (GIS)

\$500 thousand – new initiative

GIS is computer software that allows users to digitally link information and data to a geographic location. Location can be defined in terms of county, municipal districts, taxing bodies and further broken down by streets, blocks, businesses and houses. This information will help the Tollway identify future needs from ramp placement to road widening and will help identify areas of roadway in need of preventative maintenance. GIS allows us to better serve our customers by being proactive in assessing and delivering more efficiently.

Conclusion

The Fiscal Year 2004 budget reduces operating costs by \$845 thousand and reflects the Governor's commitment to do more with less. The budget was balanced through cost-cutting and careful management. Funding has been redeployed to support the reforms underway to restore public confidence in the Illinois Tollway. While limited resources constrain the ability to initiate major capital projects, the \$257 million capital program provides significant investment in infrastructure preservation and congestion relief.