



2008 Budget Analysis

*(Preliminary and Unaudited)*

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Year-End Financial Review

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Year-Ending December 31, 2008

## **INTRODUCTION**

In December 2007, the Board of Directors adopted an annual budget for 2008. Each quarter, the Finance Department reviews the actual revenues and expenditures against the budget, and presents analysis in this quarterly report to the Board's Audit Committee.

The revised 2008 Tollway Budget includes estimated revenues of \$670 million. Revenue sources include Toll Revenue and Evasion Recovery, Concessions, Investment Income, and Miscellaneous Income. Toll Revenues are collected from Tollway users either by cash or electronic toll collection for users of I-PASS. Evasion Recovery revenues are fines, fees and tolls collected from toll violators. Concessions consist of revenues generated from the Tollway's Oases, which provide fuel, food and other conveniences to users of the Tollway. Concessions revenues also include tower co-location fees and rental income from fiber optic lines. Investment Income is primarily interest income on Tollway funds and I-PASS cash escrow accounts. Miscellaneous Income includes revenue from overweight truck fines, rental and easement income, and other minor receipts.

Tollway expenditures are divided into three categories: Maintenance and Operations (M&O), Capital, and Debt Service. In December 2007, Tollway allocated \$236 million for the 2008 M&O Budget. As a result of higher than anticipated Roadway Maintenance and Violation Enforcement costs due to extraordinary circumstances, the Tollway amended the 2008 Operating Budget In September 2008 to \$245 million, an increase of \$9 million.

Capital expenditures are those associated with the Tollway's capital program, including costs of the Congestion-Relief Program (CRP) and other capital projects; the 2008 Budget for the capital program totaled \$1,380 million. Debt Service expenditures provide for the payment of principal and interest on bonds issued to finance Tollway capital projects; the 2008 Debt Service Budget totaled \$204 million.

This report provides an analysis of unaudited actual revenues and expenditures through the fourth quarter of fiscal year 2008. The purpose of this analysis is to assess the actual financial performance of the Tollway relative to the 2008 annual budgeted plan. The report indicates variances from Budget amounts. A favorable variance contributes to a higher fund balance, and unfavorable variance would reduce the fund balance. For example, if toll revenues were higher during the quarter than anticipated in the budget, it would be a favorable variance. This fourth quarter review includes expenditures that were accrued but not paid as of December 31, 2008. **All figures contained in this report are preliminary and unaudited, and should be used for informational purposes only.**

## OVERVIEW

Through December 31, 2008, the Tollway generated \$691.1 million of revenues, or a 3.2 percent favorable variance from the revised 2008 projected total of \$670.0 million. The 2008 Total Revenues include an \$18.3 million increase in Toll Evasion Recovery receivables net of amounts reserved for bad debt. Unaudited year-end operating expenditures (M&O) totaled \$244.3 million, or \$1.0 million below the revised budgeted amount of \$245.3 million. Capital expenditures totaled \$1,114.1 million, \$265.4 million less than budgeted at the beginning of the year, and \$190.2 million less than estimated when the 2008 budget was updated in October. Debt Service transfers totaled \$200.4 million, or \$3.4 million below the 2008 Debt Service budget of \$203.8 million.

<b>SUMMARY</b>				
<b>Revised Budget vs. Unaudited Actual</b>				
<b>2008 Year-End</b>				
<b>(\$ millions)</b>				
	<b>2008</b>	<b>2008</b>	<b>Variance</b>	<b>Variance</b>
	<b>Revised Budget</b>	<b>Unaudited Actual</b>	<b>\$</b>	<b>%</b>
<b>Total Revenues</b>	<b>\$670.0</b>	<b>\$691.1</b>	<b>\$21.1</b>	<b>3.2%</b>
<b>M&amp;O Expenses</b>	<b>\$245.3</b>	<b>\$244.3</b>	<b>\$1.0</b>	<b>0.4%</b>
<b>Debt Service Expenses</b>	<b>203.8</b>	<b>200.4</b>	<b>3.4</b>	<b>1.7%</b>
<b>Capital Program Estimated Expenses</b>	<b>1,304.3</b>	<b>1,114.1</b>	<b>190.2</b>	<b>14.6%</b>
<b>Total Expenditures</b>	<b>\$1,753.4</b>	<b>\$1,558.8</b>	<b>\$194.6</b>	<b>11.1%</b>

*Note: Numbers may not add to totals due to rounding.*

Revenues in 2008 surpassed 2007 revenues by \$52.5 million or 8.2 percent. Operating expenditures increased 9.9 percent or \$22.0 million in 2008. Debt Service transfers increased \$28.2 million or 16.4 percent above amounts transferred in 2007. Capital expenditures were \$14.1 million or 1.3 percent higher than amount expensed in 2007.

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<b>SUMMARY</b>				
2008 Unaudited Actual vs. 2007 Actual				
(\$ millions)				
	2007	2008	Variance	Variance
	Actual	Unaudited Actual	(\$)	(%)
<b>Total Revenues</b>	\$638.6	\$691.1	\$52.5	8.2%
<b>M&amp;O Expenses</b>	\$222.3	\$244.3	(\$22.0)	-9.9%
<b>Debt Service</b>	172.2	200.4	(28.2)	-16.4%
<b>Capital Program Expenses</b>	1,100.0	1,114.1	(14.1)	-1.3%
<b>Total Expenditures</b>	\$1,494.5	\$1,558.8	(\$64.3)	-4.3%

*Note: Numbers may not add to totals due to rounding.*

## REVENUES

Total revenues for 2008 were \$691.1 million, 3.2 percent higher than the projected amount of \$670.0 million. Revenues in 2008 increased \$52.5 million or 8.2 percent from revenues recorded in 2007.

The largest category, Tolls and Evasion Recovery, totaled \$661.3 million in 2008, 3.3 percent higher than the amount included in the revised budget. In 2008, Toll and Evasion Recovery revenue was \$79.1 million or 13.6 percent higher than amounts received in 2007. The increase is attributed to a significant increase in Evasion Recovery revenue as the Tollway worked through a backlog of violation notices.

Concession revenues totaled \$3.4 million, or 71.0 percent higher than the 2008 projection. Contributing factors to the favorable variance were increased gasoline sales at the oases and higher revenues collected from license fees.

Investment Income in 2008 generated \$23.0 million or 8.1 percent below the revised projection of \$25.0 million. In comparison, the 2008 investment income was \$26.9 million or 53.9 percent less than the 2007 amount, mainly due to a general decline of interest rates.

In 2008, Miscellaneous revenues totaled \$3.4 million which reflected a favorable variance from budget of \$0.4 million, or a 14.3 percent increase mainly due to an increase in transponder replacements and rental/easement income.

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<b>REVENUES</b>				
<b>Revised Budget vs. Unaudited Actual</b>				
<b>2008 Year-End</b>				
<b>(\$ millions)</b>				
	<b>2008</b>	<b>2008</b>	<b>Variance</b>	<b>Variance</b>
	<b>Revised Budget</b>	<b>Unaudited Actual</b>	<b>(\$)</b>	<b>(%)</b>
<b>REVENUES</b>				
Toll Revenue & Evasion Recovery *	\$640.0	\$661.3	\$21.3	3.3%
Concession	2.0	3.4	1.4	71.0%
Investment Income	25.0	23.0	(2.0)	-8.1%
Miscellaneous	3.0	3.4	0.4	14.3%
<b>Total Revenues</b>	<b>\$670.0</b>	<b>\$691.1</b>	<b>\$21.1</b>	<b>3.2%</b>

Note: Numbers may not add to totals due to rounding.

<b>REVENUES</b>				
<b>2008 Unaudited Actual vs. 2007 Actual</b>				
<b>(\$ millions)</b>				
	<b>2007</b>	<b>2008</b>	<b>Variance</b>	<b>Variance</b>
	<b>Actual</b>	<b>Unaudited Actual</b>	<b>(\$)</b>	<b>(%)</b>
<b>REVENUES</b>				
Toll Revenue & Evasion Recovery	\$582.2	\$661.3	\$79.1	13.6%
Concession	3.8	3.4	(0.4)	-9.8%
Investment Income	49.8	23.0	(26.9)	-53.9%
Miscellaneous	2.8	3.4	0.6	21.7%
<b>Total Revenues</b>	<b>\$638.6</b>	<b>\$691.1</b>	<b>\$52.5</b>	<b>8.2%</b>

Note: Numbers may not add to totals due to rounding.

## MAINTENANCE AND OPERATIONS EXPENDITURES

The Tollway's 2008 year-end operating expenditures totaled \$244.3 million representing a favorable variance of \$1.0 million, or approximately 0.4 percent under the 2008 revised budget. In comparison to 2007 year-end totals, 2008 expenditures increased \$22.0 million or 9.9 percent, primarily the result of increases in Payroll and Related Costs, Contractual Services and Equipment Maintenance.

The 2008 Payroll and Related Costs charged to Maintenance and Operations increased \$11.4 million over 2007. Annual salary and collective bargaining increases and overtime costs for snow plow operators increased a total of \$5.5 million, or 5.4 percent. The State required retirement contribution increased \$5.1 million or 34.2 percent from \$15.0 million in 2007 to \$20.1 million in 2008. Correspondingly, FICA costs for 2008 increased by \$0.8 million or 10.4 percent over 2007. The 2008 Payroll and Related Costs category exceeded the 2008 revised budget by \$2.5 million mainly due to overtime during the winter season. Overtime during 2008 was significant due to the severe winter weather at the beginning of the year followed by the same weather conditions at year-end. In addition, \$2.2 million of Payroll and Related Costs were charged to the 2008 Capital Program for personnel working directly on the CRP (see Capital Program – Page 13).

Group Insurance increased \$2.5 million or 10.6 percent from 2007 to 2008 due to rising health care costs. The vacancy rate remained about the same year over year, so it did not have a major impact on the increased cost.

The 2008 Contractual Services category indicates a large increase over 2007 expenditures. The main contributor is the Outside Services account which reflects an increase of \$7.1 million or 46.8 percent over 2007. This is due primarily to increased costs associated with violation notice processing and the day to day operations of the Customer Service Center. Costs associated with an increased number of violation hearings caused additional expenditures of \$0.8 million over 2007 in the Contracted Maintenance Services account. Merchant Card Fees increased \$3.5 million or 44.6 percent over 2007 expenditures due to the conversion of post-pay customers into pre-pay I-PASS account holders.

The Materials/Operational Supplies and Other Expenses category for 2008 decreased \$9.3 million, a 50.8 percent decline from 2007 expenditures. The contributing factor to the reduction was the suspension of the State Administrative Charge during 2008. This factor helped to offset a \$1.5 million increase in 2008 for winter materials such as rock salt, calcium chloride and roadway abrasives. Contracts for rock salt have seen price increases upwards of 300 percent over 2007. The 2008 Materials/Operational Supplies and Other Expense category showed a favorable variance of \$2.6 million when compared to the 2008 revised budget. This is attributable to reduced expenditures on non-roadway materials/supplies as well as small equipment.

The Utilities category increased \$1.8 million or 28.5 percent over 2007 expenditures. The increase was caused by an influx of calls to the Customer Call Center associated with violation notices as well as the installation of additional data lines to the Customer Service Center.

All Other Insurance, which includes Worker's Comp and Property Insurance decreased \$0.5 million or 5.3% less than 2007. The Worker's Compensation reserve is based on the recommendation of the Tollway's actuarial consultant.

The Parts and Fuel category increased \$1.2 million or 20.2 percent over 2007. Fuel consumption during the winter snowfalls combined with fluctuating fuel prices resulted in

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an increase of \$0.9 million over 2007. Snow plow blades and other snow equipment parts accounted for the remaining increase of \$0.3 million.

The Equipment/Office Maintenance category has increased \$3.7 million or 34.7 percent over 2007 expenditures. The increase is attributed to increased costs of maintaining the Electronic Tolling System for ORT as well as the purchase of new workstations for the Call Center as well as Central Administration. The 2008 Equipment/Office Maintenance category showed an unfavorable variance of \$0.4 million when compared to the 2008 revised budget. This is attributable to higher than expected expenditures for maintaining the electronic tolling system.

The Employee Development category for 2008 declined \$0.4 million when compared to 2007 results. For 2008, the Recovery of Expenses category, which includes damage claims and court reimbursement recoveries, increased \$0.1 million from amounts recovered in 2007.

<b>M&amp;O EXPENSES</b>				
Revised Budget vs. Unaudited Actual				
2008 Year-End				
(\$ millions)				
	2008	2008	Variance	Variance
	Revised Budget	Unaudited Actual	(\$)	(%)
<b><u>Maintenance &amp; Operations</u></b>				
Payroll and Related Costs	\$132.7	\$135.2	(\$2.5)	-1.9%
Group Insurance	26.3	26.2	0.1	0.6%
Contractual Services	37.6	36.9	0.7	1.8%
Materials/Oper. Supplies/Other Exp.	11.6	9.0	2.6	22.3%
Utilities	8.1	8.3	(0.2)	-2.4%
All Other Insurance	8.3	8.1	0.1	1.8%
Parts & Fuel	7.8	7.2	0.5	7.0%
Equipment / Office Rental & Maint.	14.1	14.5	(0.4)	-2.9%
Employee Development	1.0	0.7	0.3	31.1%
Recovery of Expenses	(2.1)	(1.8)	(0.3)	-13.9%
<b>Total M&amp;O Expenses</b>	<b>\$245.3</b>	<b>\$244.3</b>	<b>\$1.0</b>	<b>0.4%</b>

*Note: Numbers may not add to totals due to rounding.*

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<b>M&amp;O EXPENSES</b>				
<b>2008 Unaudited Actual vs. 2007 Actual</b>				
<b>(\$ millions)</b>				
	<b>2007</b>	<b>2008</b>	<b>Variance</b>	<b>Variance</b>
	<b>Actual</b>	<b>Unaudited Actual</b>	<b>(\$)</b>	<b>(%)</b>
<b><i>Maintenance &amp; Operations</i></b>				
Payroll and Related Costs	\$123.8	\$135.2	(\$11.4)	-9.2%
Group Insurance	23.7	26.2	(2.5)	-10.6%
Contractual Services	25.4	36.9	(11.5)	-45.3%
Materials/Oper. Supplies/Other Exp.	18.2	9.0	9.3	50.8%
Utilities	6.4	8.3	(1.8)	-28.5%
All Other Insurance	8.6	8.1	0.5	5.3%
Parts & Fuel	6.0	7.2	(1.2)	-20.2%
Equipment/Office Rental & Maint.	10.8	14.5	(3.7)	-34.7%
Employee Development	1.0	0.7	0.4	34.3%
Recovery of Expenses	(1.7)	(1.8)	0.1	3.2%
<b>Total M&amp;O Expenses</b>	<b>\$222.3</b>	<b>\$244.3</b>	<b>(\$22.0)</b>	<b>-9.9%</b>

Note: Numbers may not add to totals due to rounding.

## DEBT SERVICE

Debt service expenditures consist of the retirement of bond principal at maturity or redemption, the payment of interest due on the Tollway's outstanding bonds, and the payment of annual costs associated with the bonds. Transfers from the Revenue Fund for debt service for the year ended 2008 were approximately \$200.4 million, \$3.4 million less than the budgeted amount of \$203.8 million. The favorable variance in 2008 is comprised of: (i) \$3.2 million in transfers in excess of actual debt service resulting from timing issues; (ii) \$1.7 million of increased interest expense related to credit deterioration of financial institutions providing credit enhancement for the Tollway's variable rate bonds, net of reduced interest expense from the advance refunding of the Series 2006A Bonds; and (iii) \$8.3 million of reduced interest expense due to capitalization of interest on the new money financing issued in the fourth quarter of 2008. These items are further described below.

- (i) An Indenture provision relating to the Tollway's variable rate Series 2007A and Series 2008A Bonds requires that when monthly interest expense is calculated to determine the amount to be transferred to the Trustee, any days for which the weekly interest rates have not yet been set must be calculated assuming the Maximum Rate allowed for the Bonds. This provision increased the amount transferred from the Revenue Fund for these bond issues by \$3.2 million.

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- (ii) The \$1.7 million of increased interest expense is comprised of: (i) \$5.2 million additional interest expense on the Tollway's variable rate bonds primarily caused by the credit deterioration of the Series 2007A Bond Insurer (a problem resolved by the cancellation of the 2007A Bond Insurance on March 20, 2008) and the credit deterioration of the Series 2007A and Series 2008A Liquidity Provider; and (ii) \$3.5 million reduced interest expense from the refunding of a portion of the Tollway's Series 2006A Bonds, which closed on February 7, 2008.
  
- (iii) The 2008 budget assumed an issuance of \$500 million of new money bonds on September 1<sup>st</sup> at an interest rate of 5%. The Tollway's actual issuance was \$350 million of new money bonds on November 18<sup>th</sup> at an interest rate of 5.5%, and interest on this bond issue was capitalized through July 1<sup>st</sup>, 2009. As a result of the capitalization of interest, no funds were transferred for debt service for these bonds, resulting in the \$8.3 million favorable variance.

Transfers for debt service in 2008 included transfers of \$4.5 million to help fund costs related to the Tollway's outstanding variable rate bond issues. These costs consist of credit enhancements fees, remarketing agent fees, rating agency fees, and one-time costs related to changes in the credit enhancement on the Tollway's Series 2007A Bonds.

<b>DEBT SERVICE</b>				
Revised Budget vs. Unaudited Actual				
2008 Year-End				
(\$ millions)				
	2008	2008	Variance	Variance
	Revised Budget	Unaudited Actual	(\$)	(%)
<b><i>DEBT SERVICE</i></b>				
Previous Debt	\$195.5	\$200.4	(\$4.9)	-2.5%
New Debt	8.3	0.0	8.3	100.0%
<b>Total Debt Service Expenses</b>	<b>\$203.8</b>	<b>\$200.4</b>	<b>\$3.4</b>	<b>1.7%</b>

*Notes: Numbers may not add to totals due to rounding.*

## DERIVATIVES

The Tollway has utilized interest rate exchange agreements (agreements) and forward-starting interest rate exchange agreements (forward agreements) to hedge against increases in interest rates, and to provide synthetic fixed rates associated with the Tollway's variable rate bonds issued in 1993, 1998, 2007 and 2008. As of year end 2008, the Tollway had one agreement attached to the Series 1993B bond issue, two

agreements attached to the Series 1998B bond issue, four agreements attached to the Series 2007A bond issue (two each to Series 2007A-1 and 2007A-2) and four agreements attached to the Series 2008A bond issue (two each to Series 2008A-1 and 2008A-2).

The Tollway subsequently terminated the agreement related to its Series 1993B Bonds on January 28, 2009. This termination was done in connection with the early redemption of the Series 1993B Bonds, also on January 28, 2009, in advance of their originally scheduled final maturity of January 1, 2010. A termination payment of \$1.75 million (including accrued interest) was made in connection with the termination of the agreement. The remaining Series 1993B all-in cost (consisting of bond interest, payments on the agreement, liquidity and remarketing costs, and the netting of foregone investment earnings from the transfers for debt service that would have been made in advance of debt service payment dates) at the time of the bond redemption and agreement termination was \$2.52 million. Thus the termination and redemption generated savings to the Tollway of approximately \$0.77 million.

Mark-to-market valuations of the Tollway's agreements typically decline in value when interest rates decline and increase in value when interest rates increase. Thus to the extent that any negative valuation of the Tollway's derivatives were to become realized by an agreement termination, it is possible (although not certain) that such a realization would be mitigated by a lower cost of capital expected to be available in that lower-interest rate market.

<b>DERIVATIVES</b>		
<b>Estimated Swap Valuations</b>		
<b>SWAP</b>	<b>NOTIONAL AMOUNT</b>	<b>12/31/2008 VALUATION</b>
1993 SERIES B	\$ 80,500,000	\$ (1,662,000)
<b>1993 SERIES B TOTAL</b>	<b>\$ 80,500,000</b>	<b>\$ (1,662,000)</b>
1998 SERIES B	\$ 67,705,000	\$ (9,479,800)
1998 SERIES B	\$ 55,395,000	\$ (7,756,200)
<b>1998 SERIES B TOTAL</b>	<b>\$ 123,100,000</b>	<b>\$ (17,236,000)</b>
2007 SERIES A-1	\$ 175,000,000	\$ (29,893,000)
2007 SERIES A-1	\$ 175,000,000	\$ (29,893,000)
<b>2007 SERIES A-1 TOTAL</b>	<b>\$ 350,000,000</b>	<b>\$ (59,786,000)</b>
2007 SERIES A-2	\$ 262,500,000	\$ (45,642,000)
2007 SERIES A-2	\$ 87,500,000	\$ (15,214,000)
<b>2007 SERIES A-2 TOTAL</b>	<b>\$ 350,000,000</b>	<b>\$ (60,856,000)</b>
2008 SERIES A-1	\$ 191,550,000	\$ (27,377,000)
2008 SERIES A-1	\$ 191,550,000	\$ (27,377,000)
<b>2008 SERIES A-1 TOTAL</b>	<b>\$ 383,100,000</b>	<b>\$ (54,754,000)</b>
2008 SERIES A-2	\$ 287,325,000	\$ (40,641,750)
2008 SERIES A-2	\$ 95,775,000	\$ (13,547,250)
<b>2008 SERIES A-2 TOTAL</b>	<b>\$ 383,100,000</b>	<b>\$ (54,189,000)</b>
<b>TOTAL</b>	<b>\$ 1,669,800,000</b>	<b>\$ (248,483,000)</b>

## **CAPITAL PROGRAM**

Capital expenditures include Renewal/Replacement costs related to repairs of the existing system, non-roadway capital investments, and Improvement costs related to expanded system capacity and Open Road Tolling (ORT).

The majority of the expenditures for the capital program are for one-time non-recurring payments for improvements made to the system. Variances from year to year are due to the schedule of work and the differing values for projects included in the overall capital program.

The fiscal year 2008 capital budget reflects the Tollway's pledge to maintain and upgrade the existing facilities and infrastructure of the system. The budget included funding for the fourth year of the \$6.3 billion, multi-year, Congestion-Relief Program (CRP). In December 2007, the Tollway's Board of Directors approved \$1,379.5 million for the Fiscal Year 2008 Capital Budget. The budget allocated \$1,270.8 million to the CRP and \$108.6 million to support other needs such as roadway equipment and

vehicles, building repair and improvements and technological equipment and enhancements.

The majority (\$738.6 million) of the 2008 CRP budget designated to rebuild and widen the Tri-State Tollway included \$169.9 million for 159<sup>th</sup> Street to 95<sup>th</sup> Street; \$147.6 million for Balmoral Avenue to Dempster Street; \$131.0 million for Dempster Street to Lake-Cook Road; \$114.9 million for Half Day Road to IL 137; and \$171.1 million for IL 137 to Russell Road. An additional \$4.1 million was also budgeted on the Tri-State Tollway for improvements at the I-57 Interchange.

The budget included \$272.5 million to rebuild and widen the Ronald Reagan Memorial Tollway from York Road to Washington Street and from the Aurora Toll Plaza to IL 56; and \$112.6 million is allocated to continue the Jane Addams Memorial Tollway improvements, which includes rebuild and widen from Newburg Road to Rockton Road and I-39 interchange improvements.

The 2008 approved capital budget allocated \$88.5 million for Systemwide Improvements which include bridge improvements, interchange improvements, environmental, and intermittent pavement projects.

The budget also allocated \$38.2 million on the Veterans Memorial Tollway for the resurfacing and widening between 75<sup>th</sup> Street and the Ronald Reagan Memorial Tollway (I-88) and on the South Extension for ongoing restoration of wetlands adjacent to the Des Plaines River and other roadside completion improvements.

In 2008, approximately \$20.5 million was budgeted to complete the wrap-up work as part of the Open Road Tolling (ORT) initiative.

The capital budget includes \$108.6 million for non-roadway capital projects in the areas of traffic management, communications equipment, maintenance and roadway equipment, technology initiatives, maintenance facility building improvements and other miscellaneous projects.

During 2008, \$556.5 million was expended on the Tri-State Tollway corridor representing a favorable variance of \$182.0 million or 24.6 percent under the 2008 Budget of \$738.6 million due to favorable market conditions and stable costs of concrete. Also, due to slight delays in starting the construction phase of several projects on the South Tri-State, only mobilization costs were expensed in 2008.

Rebuild and widening projects along the South Tri-State from 159<sup>th</sup> Street to 95<sup>th</sup> Street were completed for the southbound lanes and are ongoing for northbound lanes. The Central Tri-State work from Balmoral Avenue to Dempster Street northbound was completed and work on the southbound lanes is ongoing. Construction from Dempster Street to Lake Cook Road on the southbound lanes was completed. Sanders Road, Willow Road and Lake-Cook Road Bridges were also completed. Construction on the North Tri-State in both directions from Wisconsin State Line to Stearns School Road, between Stearns School Road and Half Day Road southbound lanes, and Belvidere

Road Bridge were all completed. Construction of the O'Plaine Road Bridge, Grand Avenue Bridge, and the Half Day Road Interchange are all on-going.

Approximately \$252.4 million was expended in 2008 on the Ronald Reagan Memorial corridor representing a favorable variance of \$20.0 million or 7.4 percent under the 2008 budget of \$272.5 million due to favorable market conditions and increased competition. The Ronald Reagan Memorial corridor projects included, reconstruction and widening from IL Route 83 to York Road westbound lanes (completed), between York Road and Finley Road (on-going) and Finley Road to Washington (completed); from Aurora Toll Plaza to Orchard Road eastbound lanes (completed) and westbound lanes (on-going); between Deerpath Road and the Fox River Bridge including the Aurora ORT Toll Plaza expansion and the eastbound Fox River Bridge (all completed).

An estimated \$131.0 million was earned on the Jane Addams Memorial corridor representing an unfavorable variance of \$18.4 million or 16.3 percent over the 2008 Budget of \$112.6 million primarily due to scope changes which increased areas of reconstruction, added noise walls and culverts, and escalation of asphalt costs. Construction on the Jane Addams included the new eastbound I-90 Bridge over State Street in Rockford (completed), reconstruct and widen the mainline for the section of I-90 between Cherry Valley and the South Beloit Toll Plaza in the eastbound direction (on-going), and in both directions between Rockton Road and the South Beloit Toll Plaza (completed), as well as to reconstruct the Cherry Valley Interchange (on-going).

At the end of 2008, approximately \$46.5 million was earned on the Veterans Memorial representing an unfavorable variance of \$8.3 million or 21.7 percent over the 2008 Budget of \$38.2 million primarily due to increase in asphalt cost and scope changes which included resurfacing with Hot Mix Asphalt (HMA). Projects on the Veterans Memorial Tollway included widening and resurfacing lanes between 75<sup>th</sup> Street and Ogden Avenue in the northbound (completed) and the southbound (on-going) directions, punch list work for the South Extension, as well as on-going corridor-wide landscaping projects.

Approximately \$25.0 million was expended in 2008 on the Open Road Tolling corridor representing an unfavorable variance of \$4.5 million or 22.1 percent over the 2008 Budget of \$20.5 million because of the addition of work not initially programmed. Open Road Tolling projects included replacing the concrete tapered dividers at the toll plazas approach point with energy attenuators and cable median barrier to ensure safety for the Tollway motorists and toll collectors.

At the end of 2008 \$58.5 million was earned on the Systemwide corridor representing a favorable variance of \$30.1 million or 33.9 percent under the 2008 Budget of \$88.5 million mainly due to time constraints in bid lettings. Systemwide Improvement projects include bridge repairs, culvert reconstruction and repairs, as well as underdrain installation and pavement patching. In addition, a total of \$2.2 million of Tollway Engineering and Finance Department personnel costs for staff working directly on the CRP were expensed to the Systemwide corridor.

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Finally, \$44.2 million was expended in 2008 on Non-CRP non-roadway capital and other miscellaneous projects.

The Tollway's 2008 year-end unaudited capital expenditures of \$1,114.1 million totaled \$265.4 million less than the 2008 Budget of \$1,379.5 million, but only \$190.2 million less than estimated expenditures as revised in October 2008. The CRP portion expended \$1,069.9 million, while the expenditures for the Non-CRP portion totaled \$44.2 million. Overall, reduced expenditures in the 2008 Capital Program are a result of aggressive bids by contractors, effective project management, schedule changes, and timing of payments.

<b>CAPITAL PROGRAM</b>				
<b>Revised Budget vs. Unaudited Actual</b>				
<b>2008 Year-End</b>				
<b>(\$ millions)</b>				
	<b>2008</b>	<b>2008</b>	<b>Variance</b>	<b>Variance</b>
	<b>Revised Budget</b>	<b>Unaudited Actual</b>	<b>(\$)</b>	<b>(%)</b>
<b><i>Capital Program</i></b>				
Tri-State Tollway (I-294/I-94)	\$738.6	\$556.5	\$182.0	24.6%
Ronald Reagan Memorial Tollway (I-88)	272.5	252.4	20.0	7.4%
Jane Addams Memorial Tollway (I-90)	112.6	131.0	(18.4)	-16.3%
Veterans Memorial Tollway (I-355)	38.2	46.5	(8.3)	-21.7%
Open Road Tolling (ORT)	20.5	25.0	(4.5)	-22.1%
Systemwide Improvements	88.5	58.5	30.1	33.9%
Congestion-Relief Program Subtotal	\$1,270.8	\$1,069.9	\$200.9	15.8%
"Other" Capital Projects Subtotal	108.6	44.2	64.5	59.3%
<b>Total Capital Program Expenses</b>	<b>\$1,379.5</b>	<b>\$1,114.1</b>	<b>\$265.4</b>	<b>19.2%</b>

*Note: Numbers may not add to totals due to rounding.*

Year-End Financial Review, Year-Ending December 31, 2008

<b>CAPITAL PROGRAM</b>				
<b>Estimates vs. Unaudited Actual</b>				
<b>2008 Year-End</b>				
<b>(\$ millions)</b>				
	<b>2008</b>	<b>2008</b>	<b>Variance</b>	<b>Variance</b>
	<b>Estimates</b>	<b>Unaudited Actual</b>	<b>(\$)</b>	<b>(%)</b>
<b><u>Capital Program</u></b>				
Tri-State Tollway (I-294/I-94)	\$642.3	\$556.5	\$85.8	13.4%
Ronald Reagan Memorial Tollway (I-88)	291.3	252.4	38.9	13.3%
Jane Addams Memorial Tollway (I-90)	140.3	131.0	9.3	6.6%
Veterans Memorial Tollway (I-355)	50.3	46.5	3.8	7.6%
Open Road Tolling (ORT)	49.5	25.0	24.5	49.5%
Systemwide Improvements	83.0	58.5	24.5	29.6%
Congestion-Relief Program Subtotal	\$1,256.7	\$1,069.9	\$186.8	14.9%
"Other" Capital Projects Subtotal	47.6	44.2	3.4	7.2%
<b>Total Capital Program Expenses</b>	<b>\$1,304.3</b>	<b>\$1,114.1</b>	<b>\$190.2</b>	<b>14.6%</b>

Note: Numbers may not add to totals due to rounding.

<b>CAPITAL PROGRAM</b>				
<b>2008 Unaudited Actual vs. 2007 Actual</b>				
<b>(\$ millions)</b>				
	<b>2007</b>	<b>2008</b>	<b>Variance</b>	<b>Variance</b>
	<b>Actual</b>	<b>Unaudited Actual</b>	<b>(\$)</b>	<b>(%)</b>
<b><u>CAPITAL PROGRAM</u></b>				
Tri-State Tollway (I-294/I-94)	\$350.1	\$556.5	(\$206.5)	-59.0%
Ronald Reagan Memorial Tollway (I-88)	172.9	252.4	(79.5)	-46.0%
Jane Addams Memorial Tollway (I-90)	30.9	131.0	(100.0)	-323.3%
Veterans Memorial Tollway (I-355)	352.6	46.5	306.1	86.8%
Open Road Tolling (ORT)	102.5	25.0	77.5	75.6%
Systemwide Improvements	38.9	58.5	(19.6)	-50.4%
Congestion-Relief Program Subtotal	\$1,047.8	\$1,069.9	(\$22.1)	-2.1%
"Other" Capital Projects Subtotal	52.2	44.2	8.0	15.3%
<b>Total Capital Program Expenses</b>	<b>\$1,100.0</b>	<b>\$1,114.1</b>	<b>(\$14.1)</b>	<b>-1.3%</b>

Note: Numbers may not add to totals due to rounding.

## **SUMMARY**

For fiscal year 2008, the Tollway's total revenues were \$21.1 million more than the revised budget amount, a favorable variance of 3.2 percent. The increase in revenues collected due to higher than expected Toll and Evasion Recovery was sufficient to offset the decrease in Investment Income revenue.

The 2008 year-end operating expenditures totaled \$244.3 million representing a favorable variance of \$1.0 million, or approximately 0.4 percent under the 2008 revised budget. Although the Payroll and Related Costs category exceeded budget mainly due to overtime, this variance was more than offset by decreases in the Contractual Services, Materials/ Operational Supplies and Parts & Fuel categories.

Debt Service showed a favorable variance of \$3.4 million, caused primarily by a capitalization of interest expense on the Tollway's Series 2008B Bonds issued in November 2008.

The 2008 Budget for the Capital Program totaled \$1,379.5 million. Year-end actual totaled \$1,114.1 million, \$190.2 million less than the \$1,304.3 million of capital expenditures estimated in the 2009 Budget Book. The reduced expenditures in the 2008 Capital Program are a result of aggressive bids by contractors, effective project management, schedule changes, and timing of payments.

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ILLINOIS TOLLWAY				
REVISED BUDGET vs. UNAUDITED ACTUAL				
2008 Year-End				
	2008	2008	Variance	Variance
	Revised Budget	Unaudited Actual	(\$)	(%)
<b>REVENUES</b>				
Toll Revenue & Evasion Recovery	\$640,000,000	\$661,300,454	\$21,300,454	3.3%
Concession	2,000,000	3,419,246	1,419,246	71.0%
Investment Income	25,000,000	22,979,654	(2,020,346)	-8.1%
Miscellaneous	3,000,000	3,429,783	429,783	14.3%
<b>Total Revenues</b>	<b>\$670,000,000</b>	<b>\$691,129,137</b>	<b>\$21,129,137</b>	<b>3.2%</b>
<b>EXPENDITURES</b>				
<b>Maintenance &amp; Operations (M&amp;O)</b>				
Payroll and Related Costs	\$132,664,854	135,207,610	(\$2,542,756)	-1.9%
Group Insurance	26,317,000	26,169,214	147,786	0.6%
Contractual Services	37,558,696	36,889,891	668,805	1.8%
Materials/Oper. Supplies/Other Exp.	11,553,884	8,980,533	2,573,351	22.3%
Utilities	8,082,905	8,272,870	(189,965)	-2.4%
All Other Insurance	8,288,000	8,142,542	145,458	1.8%
Parts & Fuel	7,779,279	7,231,002	548,277	7.0%
Equipment/Office Rental & Maint.	14,133,300	14,546,925	(413,625)	-2.9%
Employee Development	982,612	676,910	305,702	31.1%
Recovery of Expenses	(2,070,200)	(1,782,961)	(287,239)	-13.9%
<b>Total M&amp;O Expenses</b>	<b>\$245,290,330</b>	<b>\$244,334,534</b>	<b>\$955,796</b>	<b>0.4%</b>
<b>Debt Service</b>				
Existing Debt	\$195,493,059	\$200,407,520	(\$4,914,461)	-2.5%
New Debt	8,333,333	-	8,333,333	100.0%
<b>Total Debt Service Expenses</b>	<b>\$203,826,392</b>	<b>\$200,407,520</b>	<b>\$3,418,872</b>	<b>1.7%</b>
<b>Capital Program</b>				
Tri-State Tollway (I-294/I-94)	\$738,554,956	\$556,529,204	\$182,025,752	24.6%
Ronald Reagan Memorial Tollway (I-88)	272,466,286	252,423,520	20,042,765.8	7.4%
Jane Addams Memorial Tollway (I-90)	112,620,525	130,992,130	(18,371,605.2)	-16.3%
Veterans Memorial Tollway (I-355)	38,188,963	46,485,609	(8,296,646.2)	-21.7%
Open Road Tolling (ORT)	20,476,966	25,002,254	(4,525,288.3)	-22.1%
Systemwide Improvements	88,515,342	58,465,106	30,050,235.8	33.9%
<b>Congestion-Relief Program Subtotal</b>	<b>\$1,270,823,038</b>	<b>\$1,069,897,824</b>	<b>\$200,925,214</b>	<b>15.8%</b>
"Other" Capital Projects Subtotal	108,649,046	44,184,321	64,464,725	59.3%
<b>Total Capital Program Expenses</b>	<b>\$1,379,472,084</b>	<b>\$1,114,082,146</b>	<b>\$265,389,939</b>	<b>19.2%</b>
<b>Total Expenditures</b>	<b>\$1,828,588,806</b>	<b>\$1,558,824,200</b>	<b>\$269,764,606</b>	<b>14.8%</b>

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ILLINOIS TOLLWAY				
2008 Unaudited Actual vs. 2007 Actual				
(\$ '000s )				
	2007	2008	Variance	Variance
	Actual	Unaudited Actual	(\$)	(%)
<b>REVENUES</b>				
Toll Revenue & Evasion Recovery	\$582,173	\$661,300	\$79,127	13.6%
Concession	3,789	3,419	(370)	-9.8%
Investment Income	49,846	22,980	(26,866)	-53.9%
Miscellaneous	2,819	3,430	611	21.7%
<b>Total Revenues</b>	<b>\$638,627</b>	<b>\$691,129</b>	<b>\$52,502</b>	<b>8.2%</b>
<b>EXPENDITURES</b>				
<b>Maintenance &amp; Operations (M&amp;O)</b>				
Payroll and Related Costs	\$123,846	\$135,208	(\$11,362)	-9.2%
Group Insurance	23,661	26,169	(2,508)	-10.6%
Contractual Services	25,386	36,890	(11,504)	-45.3%
Materials/Oper. Supplies/Other Exp.	18,248	8,981	9,267	50.8%
Utilities	6,439	8,273	(1,834)	-28.5%
All Other Insurance	8,597	8,143	454	5.3%
Parts & Fuel	6,016	7,231	(1,215)	-20.2%
Equipment/Office Rental & Maint.	10,800	14,547	(3,747)	-34.7%
Employee Development	1,030	677	353	34.3%
Recovery of Expenses	(1,728)	(1,783)	55	3.2%
<b>Total M&amp;O Expenses</b>	<b>\$222,295</b>	<b>\$244,335</b>	<b>(\$22,040)</b>	<b>-9.9%</b>
<b>Debt Service</b>				
Previous Debt	\$167,509	\$200,408	(\$32,899)	-19.6%
New Debt	4,707	-	4,707	100.0%
<b>Total Debt Service</b>	<b>\$172,216</b>	<b>\$200,408</b>	<b>(\$28,192)</b>	<b>-16.4%</b>
<b>Capital Program</b>				
Tri-State Tollway (I-294/I-94)	\$350,077	\$556,529	(\$206,452)	-59.0%
Ronald Reagan Memorial Tollway (I-88)	172,879	252,424	(79,545)	-46.0%
Jane Addams Memorial Tollway (I-90)	30,943	130,992	(100,049)	-323.3%
Veterans Memorial Tollway (I-355)	352,598	46,486	306,112	86.8%
Open Road Tolling (ORT)	102,474	25,002	77,472	75.6%
Systemwide Improvements	38,863	58,465	(19,602)	-50.4%
<b>Congestion-Relief Program Subtotal</b>	<b>\$1,047,834</b>	<b>\$1,069,898</b>	<b>(\$22,064)</b>	<b>-2.1%</b>
"Other" Capital Projects Subtotal	52,150	44,184	7,966	15.3%
<b>Total Capital Program Expenses</b>	<b>\$1,099,984</b>	<b>\$1,114,082</b>	<b>(\$14,098)</b>	<b>-1.3%</b>
<b>Total Expenditures</b>	<b>\$1,494,495</b>	<b>\$1,558,824</b>	<b>(\$64,329)</b>	<b>-4.3%</b>