

Illinois State Toll Highway Authority
Minutes of the Intergovernmental Agreement Working Group
(IGA) Meeting

February 10, 2011

The Illinois State Toll Highway Authority held an IGA Working Group Committee Meeting on Thursday, February 10, 2011 at approximately 10:00 a.m. at the Central Administration Building in Downers Grove, Illinois. Directors on the Committee in attendance were as follows:

Working Group Chair Maria Saldana
Director Tom Canham
Director George Pradel

Others in attendance:

Wendy Abrams	Tom Bamonte
Mike Colsch	Rocco Zucherro
Karl Frye of Wilbur Smith Associates (WSA)	
Eugene Ryan (WSA)	

Director Pradel made a motion to allow Director Canham to participate remotely; seconded by Chair Saldana. Unanimously approved.

Chairman Saldana called the meeting to order.

She stated that we are here to evaluate issues related to the proposed Intergovernmental Agreement (IGA) with the Village of Rosemont (Rosemont) to build a northbound ramp in Balmoral. The goal of this meeting is to either produce additional questions or finalize recommendations for the Board meeting on February 24, 2011 regarding this IGA.

Rocco Zuccherro, Deputy Chief of Engineering, reviewed the Interchange Cost-sharing Policy presentation from the January 2011 Board meeting with additional points. The Tollway's initial Interchange Policy was enacted in 2001 to ensure that the Tollway considers proposed interchange projects consistently. To put the responsibility for justifying the proposed interchange on the community, the Tollway required that the local community provide the following information for the Tollway's consideration: definition of project need; traffic analysis and technical evaluation, an economic development analysis, a financial plan, and resolutions of support for the project. In 2007, two cost-sharing terms were added to the Interchange Policy: (1) Tollway will have a maximum 50 percent contribution to interchange project construction costs and (2) the basis for the cost sharing will be the system-wide net new revenue increase due to the interchange over a 10 year period as projected by WSA. For instance, a new net revenue increase of \$500,000 over a 10 year period means the Tollway's maximum contribution would be up to 50 percent of \$5 million or \$2.5 million.

Chair Saldana asked the IGA Working Group Members to confirm whether they were clear about the current Interchange policy. They confirmed that the policy is clear.

Mr. Zuccherro indicated that the Balmoral northbound ramp project has been on the Tollway's radar since 1990's. He showed a map with all of the proposed interchanges requests received by the Tollway – all in a different state of development.

The Tollway considers the following selection criteria when selecting new interchange projects to pursue: the economic development benefit, regional priorities and support for the project, whether the proposal is operationally effective, the level of service benefit and disruption, access control and interchange spacing, the environmental impact, project costs (initial and long term maintenance) and revenue generation.

The proposed Balmoral ramp will be located just south of the I-294 /I-90 Interchange. The regional benefits of the Tollway's Balmoral Interchange include: (1) allowing Tollway users to get off the system prior to the congested interstate to interstate connection at I-294/I-90 and (2) an alternate means of access to Rosemont and the O'Hare International Airport (O'Hare). The local improvements include: a new northbound Balmoral exit ramp; minor improvements to the existing southbound ramp; and improvements along Balmoral Road. These improvements will ensure that traffic can exit the Tollway and get on and off the ramps efficiently.

Director Canham asked whether there will be provisions at the bottom of the Balmoral Ramp to prevent congestion onto Balmoral Road. Mr. Zucchero replied that initially there will be two right turn lanes to provide sufficient storage on the ramp and to prevent back-up onto the mainline. In the future, when Balmoral Road is extended to the west, the two right turn lanes will likely become two left turn lanes to accommodate increased traffic demand to O'Hare. He added that the ramp and improvements on Balmoral are designed to handle traffic efficiently even during high use times through the year 2030.

Mr. Zucchero then reviewed the benefits to the Tollway. From a system operations perspective, currently snow plows must go off the Tollway system to plow through the toll plaza, the mainline and the southbound on-ramp. With the new northbound Balmoral Ramp, the road maintenance will be more efficient because plows will not have to leave the system to provide service to those areas.

Mr. Zucchero then reviewed the cost and revenue estimates for the Balmoral Ramp. The estimated project cost is \$25.2 million, which includes: approximately \$22.8 million for construction; approximately \$2.2 million for construction engineering and approximately \$200,000 for toll equipment. He noted that the Village of Rosemont has already

paid approximately \$4 million for right-of-way land acquisition, but those costs are not included in the project cost estimate. WSA projected the gross annual revenue in 2012 at Balmoral Ramp to be \$1.3 million. WSA projected the net annual new revenue estimate from a system-wide perspective to be approximately \$800,000 in 2012 (growing to \$1.2 million annually by 2036). The net projected annual new revenue considered toll revenue diversions from the O'Hare East and River Road Toll Plazas. Additional annual operations and maintenance (M&O) costs were estimated to be approximately \$46,000. The M & O estimate does not include efficiencies gained for not having to go off system for road maintenance.

Mr. Zucchero then reviewed the terms of the Balmoral IGA, noting that Rosemont expressed a desire to finance and take the lead on construction for this project which is unique. The Tollway usually takes the lead on both the financing and construction of interchanges. He then reviewed the financing issues and concerns expressed by Directors at the last Board meeting regarding the IGA, including: confirming the projected revenues (net vs. gross) and which numbers should be considered; determining whether the proposed ramp will generate new traffic or simply divert traffic from existing ramps; considering bond security and default protections, tollway contribution cap and payment terms and timing.

Director Saldana stated that the Tollway would not contribute more than \$12.5 million in capital costs for the Balmoral ramp which is consistent with the Tollway policy. However, the Tollway needs to understand how much the Tollway would contribute to financing costs.

Director Canham asked whether Rosemont considered the project costs to include the capital and financing costs. Mr. Zucchero responded yes.

Mike Colsh, Chief of Finance, clarified that the 10 year cost recovery in the existing policy only applies to the principal costs and that the

Tollway's expectation was that financing costs would be covered beyond that 10 year cost recovery period in the policy. He does not believe that including a 25 year recovery period in the IGA to cover financing costs would be inconsistent with the intent of the Tollway's current policy.

Mr. Zuccherro continued by highlighting other terms of the IGA including: the Tollway's diversity goals are considered for construction contracts; the Tollway's comfort level with Rosemont leading construction of the project; that Rosemont's construction management and quality controls meet the Tollway's standards; and that the Tollway is included on Rosemont warranties.

Mr. Zuccherro requested feedback from the IGA Working Group on the terms of the IGA as Rosemont would like to start this project during the Spring of 2011. This would require approval by the Board at the February Board meeting.

Director Saldana asked the IGA Working Group members for feedback on their comfort level with Rosemont taking the lead on the financing and construction of this project. Director Pradel and Canham said they feel comfortable with the construction arrangement because the Tollway was directly involved in the development and design of the ramp plans and because the Tollway will be involved in the oversight of the project.

Regarding DBE requirements, Director Pradel asked whether Rosemont's DBE requirements are as strict as the Tollway's requirements. General Counsel, Tom Bamonte, replied that Rosemont does not have a DBE program. However, the Tollway will provide technical assistance and help Rosemont assess good faith efforts.

Regarding revenue issues, Director Canham suggested that the Tollway offer revenues from the Southbound exit to Rosemont (to the extent there are increased revenues) to off-set the decreased revenue

projections provided by WSA. Mr. Zuccherro responded that there is no toll plaza at the Southbound ramp (tolls for those users are taken at the mainline Irving Park Road Plaza) which makes it difficult to account for those tolls generated by traffic at the Southbound ramp. Mr. Colsch added that the revenue projections discussed today, although lower than projections provided at the last Board meeting, are consistent with projections provided to Rosemont previously. Therefore, additional concessions due to lowered revenue projections are not needed. Director Saldana and Mr. Colsch clarified that the Tollway's intent is to commit 50 percent of the annual gross revenues from the Balmoral ramp, estimated at \$600,000, which is lower than the projected net revenue system-wide (\$800,000).

Regarding the length of the IGA agreement, Mr. Colsch recommended a 25 year maximum because the Tollway allows a similar to the maximum time period for issuing debt.

Regarding the Tollway contribution cap, Mr. Colsch stated that Rosemont believes there is upside to the WSA revenue projections and therefore an opportunity to provide a greater cost recovery. The IGA will include a contribution cap that would limit the Tollway's contribution to up to 50 percent of capital and financing costs even if the Tollway recovers higher than expected tolls at the Balmoral Ramp. For instance, the present value of the current projections, assuming a 6 percent interest rate, would be approximately \$10 million, which is slightly less than 50 percent of the projected costs of the project.

Regarding bond securities, Rosemont will finance this project with a general obligation bond with an A2 rating and they will insure the bonds. This bond issue is part of a larger financing. The Tollway will structure the IGA to ensure there is no tie between the Tollway's revenue contribution and the repayment Rosemont's debt. The Tollway's financial responsibility will be limited to that of a revenue sharing agreement and not a pledge to the bondholders. **Director**

Canham added that a right to review Rosemont's bond offering should be included in the IGA and that the IGA will go to their general revenue. Tom Bamonte confirmed that IGA will reflect those concerns.

Regarding payment terms and timing, Mr. Colsch said that the payment terms are currently under discussion – annually, semi-annually, quarterly etc. Rosemont indicated that they might seek more frequent payments.

Regarding financing costs, Mr. Colsch stated that the Tollway will include a cap on the interest rate that the Tollway would cover – 6 percent. Director Saldana clarified that the financing terms generally are as follows: the Tollway will pay up to half of the capital costs plus up to half of the financing costs at up to a 6 percent interest rate to be paid over a maximum of 25 years.

Mr. Colsch added that Tollway would only be responsible for half of the actual financing costs. For instance, if Rosemont only finances \$15 million of the \$25.2 million project costs, then the Tollway would only pay for financing costs on \$7.5 million.

Regarding construction terms, Tom Bamonte stated that the IGA will include the following terms regarding the construction: design plan must be provided by the Tollway; Rosemont must use a competitive bid contract process select its contractors; Tollway must be included as an additional party on performance bonds, warranties, insurance and indemnification provisions; Tollway must have formal inspection rights; and the Tollway must have right of approval for contract changes of \$5,000 or more.

Director Canham asked whether the IGA includes a mechanism for dispute resolution when the Tollway and local agency have a disagreement. General Counsel responded that the Chief Engineer has substantial discretion. In this case, the Tollway can add a provision to escalate such matters to the respective executive directors for resolution.

Director Saldana asked the Working Group members whether they were comfortable recommending that the Balmoral IGA be moved to the Engineering Committee for consideration with the summary of terms and conditions discussed at the meeting outlined by staff. All members agreed.

There being no further business, Director Pradel moved to adjourn; seconded by Director Canham. The motion was approved unanimously.

Meeting adjourned at approximately 10:45 a.m.

Minutes taken by: _____

Tranece Artis