

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF THE
FINANCE ADMINISTRATION OPERATIONS
COMMITTEE MEETING**

November 17, 2011

The Illinois State Toll Highway Authority held a Finance Administration Operations Committee Meeting on Thursday, November 17, 2011 at approximately 8:00 a.m. at the Central Administration Building in Downers Grove, Illinois.

Directors on the Committee in attendance were as follows:

Committee Chair Mark Peterson

Director Jim Banks

Director David Gonzalez

Committee Chair Peterson called the meeting to order and asked Executive Director Kristi Lafleur to introduce the first presentation.

Ms. Lafleur introduced Mike Colsch, Chief of Finance to present the Quarterly Financial Review for the third quarter. Ms. Lafleur indicated that last December, the Board approved a budget for 2011 which was based on conservative revenue projections and reduced operating expenditures. She indicated that the third quarter results show that the Tollway has been successful in managing operating and capital costs within budget, while taking in slightly more revenue than projected. She added that given the slow pace of the economic recovery, the Tollway will continue to manage carefully and efficiently in order to maintain sound financials.

Mr. Colsch presented the 2011 Revenue Sources and Allocations, 2011 Third Quarter Revenue (budgeted vs. actual) and the Year to Date Revenue (budgeted vs. actual) as shown in the attached [presentation](#). He noted that moderate increases in toll revenue were realized in Q3 due to increased traffic and toll collection rates. He also noted that actual investment income was approximately 54 percent lower than the budgeted amount for the third quarter.

Director Gonzalez asked what percentage was used to project 2011 investment income. Mr. Colsch indicated that staff used an average of 50 basis points for 2011 projections but only 25 basis points have been achieved to date. He indicated that staff lowered the 2012 investment income projections from \$2 million to \$1 million based on this year's performance. Ms. Lafleur indicated that in the past the Tollway has sought legislative changes that would give the Tollway flexibility to invest in a broader range of investment categories but that has not been achieved to date.

Chair Wolff asked whether the State Treasurer is responsible for investing the Tollway's income. Mr. Colsch responded that the Treasurer is responsible for managing a large portion of the Tollway's portfolio but the Tollway assists them in selecting investments.

Mr. Colsch then reviewed the traffic trends for 2011 and noted the correlation between fuel price increases in March, April and May and the decreased traffic during that time period. He also noted the decreased traffic related to a severe February storm.

Director Sweeney asked whether a particular formula was used to make traffic projections. Mr. Colsch responded that the traffic engineer, Wilbur Smith and Associates (WSA), uses an extensive and complicated model to make traffic projections for the Tollway. Some of the factors

in the model include employment rates, toll rates, fuel prices, planned future construction, and capacity constraints etc. **Chair Wolff suggested that WSA discuss the model with the Directors at a separate session.**

Regarding Operating Expenses, Mr. Colsch indicated that the Tollway was under budget for the 3rd quarter in payroll and related costs due to a higher than expected level of employment vacancies. The Tollway was also under budget in the all other insurance category due to reduced contribution to the workers compensation reserve based on adjusted actuarial projections. The Tollway was over budget in the following categories during the 3rd quarter primarily due to the timing of the payments: group insurance, contractual services, equipment/office rental and maintenance and utilities.

Committee Chair Peterson asked whether there is a statute that dictates how the workers compensation fund is managed. Mr. Colsch responded that the trust indenture requires that the Tollway maintain a sound worker's compensation insurance program based on actuarial data.

Mr. Colsch indicated that the Parts and Fuel category was the only operating expenditure that exceeded the budget year to date. Earlier this year, staff informed the Board of its intention to transfer \$7 million of the workers compensation savings to the parts and fuel category.

Regarding the capital program, Mr. Colsch indicated that the overall expenditures were under budget by approximately \$25 million due to the change in scope and timing of several projects in anticipation of the Move Illinois capital plan. He also noted that the Tollway received reimbursements related to intergovernmental agreements with IDOT that were not anticipated.

Mr. Colsch noted the following regarding the toll revenue outlook for 2011:

- For the first three quarters of 2011, toll and evasion revenue totaled \$11.4 million, or 2.2 percent more than budgeted.
- Overall, gas prices are higher than a year ago, but have declined from peak prices that occurred in May 2011.
- Recently released projections show continued slow economic growth through 2012. The Tollway expects to meet or slightly exceed 2011 revenue estimates.
- Staff will continue to monitor economic and fuel price conditions as well as improve efforts to reduce nonpayment of tolls.

Committee Chair Peterson asked whether IDOT reimbursed the Tollway from the agency's General Fund. Mr. Colsch responded that typically the reimbursement comes from the Road Fund. IDOT's current process requires that they include funding in their budget to make payments related to intergovernmental agreements.

Ms. Lafleur then introduced Michael Stone, Chief of Staff, to give a presentation on employee use of non-revenue transponders. Mr. Stone indicated that last year management implemented a monitoring program to automatically identify potential abuse of non-revenue transponder usage. Currently, employees are allowed to use non-revenue transponders for business purposes and daily commutes to and from work. Mr. Stone indicated that allowing employees to have free passage on the Tollway has always been the practice at the Illinois Tollway.

Currently, 1,156 employees use non-revenue transponders (out of 1,598 budgeted headcount). Since 2010, approximately 228 employees have voluntarily stopped using non-revenue transponders. Approximately 85 percent of employees using employee transponders are union members.

Currently, the foregone revenue related to nonrevenue transponder use is estimated at \$255,800 annually. In 2012, the foregone revenue is expected to increase to approximately \$478,300 annually due to the toll increase.

The average annual benefit per participant in 2011 is estimated as \$221. In 2012, the annual benefit will increase to \$414 per participant due to the toll rate increase.

As a result of the aggressive monitoring program over the last year, approximately \$160 per month (cash rate) has been recovered for unauthorized toll usage. Also, five individuals have been referred to the Illinois Tollway's Office of Inspector General in 2011 for possible misuse.

Mr. Stone indicated that nationwide, approximately two thirds of toll agencies (with electronic tolling capability) issue employee transponders for commuting purposes. He cited the New Jersey Port Authority as an example of an agency that previously provided this benefit but recently eliminated the benefit.

Regarding local public agencies, he indicated that CTA provides non-revenue fare cards to employees for free passage but this benefit is subject to collective bargaining agreement and is currently under review by the CTA.

RTA does not permit free travel but participates in a benefit plan that allows employees to contribute to the IRS pre-tax transit program for amounts up to equivalent monthly transportation costs. Mr. Stone indicated that the federal guideline for this benefit is currently limited to public transportation and private vanpools.

Chair Wolff asked whether other agencies within the national coalition of tolling agencies have pursued changes in federal law that would allow their employees to pay parking and commuter fees with pre-tax contributions. Ms. Lafleur indicated that the matter has been discussed but is not a priority for that group at this time.

Committee Chair Peterson asked how the monitoring is conducted and how long has it been in effect. Mr. Stone responded that prior to October 2010, a sample of Tollway employees were periodically selected and audited for proper use of the non-revenue transponders. Since October 2010, a program was developed in which every transponder usage by an employee was monitored and compared to the time clock to determine whether the transponder was used in accordance with Tollway policy.

Director Gonzalez asked whether the Tollway could determine what percentage of the usage was for commuting to and from work compared to usage for business purposes. Ms. Lafleur indicated that an analysis of the data over the last year demonstrates that over 99 percent of the usage is for commuting to/from work.

Committee Chair Peterson asked what percentage of employees can only access their assigned workplace via the toll road. Mr. Stone acknowledged that there are plazas with limited or no access via arterial roads. Ms. Lafleur indicated that another level of evaluation is needed to determine the percentage of usage.

Director Redick asked what percentage of non-union employees use the non-revenue transponders. Mr. Stone responded approximately 85 percent. Director Peterson asked whether employee use of non-revenue transponders was considered a benefit in previous union negotiations. Ms. Lafleur indicated that it has not been cited in the union contracts previously.

Ms. Lafleur indicated that the management would like to get a sense from the Finance Committee about whether use of non-revenue transponders should be discontinued. Director Gonzalez asked Mr. Colsch whether the average salary of the employees who use non-revenue transponders could be determined. **Mr. Stone indicated that the data is readily available and could be provided.**

Chair Wolff suggested that this issue should be discussed by the full Board during the Executive Session of the regular Board Meeting.

Committee Chair Peterson then opened the floor to open comment. No public comment was offered.

Committee Chair Peterson called for a motion to approve the minutes of the Finance Administration Operations Committee meeting held on October 19, 2011. Director Banks made the motion to approve; seconded by Director Gonzalez. The motion was approved unanimously.

Committee Chair Peterson called on Mike Colsch, Chief of Finance, to present the following items:

Item 1: Approval to establish funding for the Improvement Account for Move Illinois.

Director Peterson asked how the \$1 billion account limit was determined. Mr. Colsch indicated that ultimately the Move Illinois

program will cost \$6.4 billion over the next 15 years. Staff determined that the \$1 billion account limit would be sufficient initially but intends to request an increase in the account limit as needed in the future.

Committee Chair Peterson called for a motion to establish the account. Director Gonzalez made the motion; seconded by Director Banks. The motion was approved unanimously.

Item 2: Amend resolution number 19257 to extend the merchant card services with Vantiv, American Express and Discover for a ninety-day period and increase the upper limit by \$5.5 million, from \$48.8 million to \$53.3 million. (recusal by Director Peterson)

Mr. Colsch indicated that the contract for merchant card services was awarded in 2007 to Fifth Third Bank which is now known as Vantiv. Staff initiated a re-bid of this contract per the Board's request and the Board approved the resolution earlier this year. However, the contract negotiation is not complete to date. To ensure there is no lapse of service, staff is seeking a 90 day extension of the existing contract.

Chair Wolff asked why staff expected the procurement process to take a long time and whether the re-bidding process resulted in significant savings. Mr. Colsch indicated that re-bidding with Vantiv did not result in huge savings. The biggest opportunity for savings is with the interchange rates fees charged by Discover and American Express.

Regarding the extended procurement process, Ms. Lafleur indicated that due to the new statewide procurement regulations a lot more paperwork needs to be exchanged between the vendor, the Tollway and the State Procurement Officer to resolve a procurement. Also, staff has actively

negotiated with American Express to lower their fees which has also added procurement process time.

Chair Wolff reminded the Board that the new state purchasing act has added time to the process. She indicated that Ms. Lafleur is tracking the length of the procurement cycle so that information can be used to go back to the legislature^s to request adjustments to the act if deemed necessary.

Director Gonzalez noted that Vantiv did not settle Discover Card and American Express transactions in 2011. He asked whether that would change in 2012 and whether that change would result in savings. Mr. Colsh responded that Vantiv will settle Discover Card transactions in 2012 but not American Express. He indicated that the bulk of the potential savings would come with the reduction of fees paid to American Express.

Director Banks moved to approve this amendment; seconded by Director Gonzalez. The motion was approved unanimously.

Item 3: Extension of the four Financial Advisory Services Agreements, for a ninety day period beginning January 1, 2012 to March 30, 2012.

Director Gonzalez asked whether any of the firms approved in the pool were minority owned and how the 34.9% minority participation goal was determined. Mr. Colsch responded that AC Advisory is a minority owned company and the minority participation goal is based on overall compensation to the firms.

Director Gonzalez moved for approval of this extension; seconded by Director Banks. The motion was approved unanimously.

Committee Chair Peterson called on Joe Kambich, Chief of Information Technology, to present the following items:

Item 1: Award of Contract No. 11-0347 to Electronic Transaction Consultants Corporation (ETCC) for Disaster Recovery / Technology Refresh Implementation Services in an amount not to exceed \$462,000.00. (Sole Source)

Director Gonzalez asked for clarification on why some of the agenda items that are scheduled for 2012 are budgeted for 2011. Mr. Colsch indicated that under the trust indenture capital expenditures must be budgeted in the year the contract is approved. For operating expenses, the expense must be budgeted in the year the expense is expected to occur.

Item 2: Award of Contract No. 11-0350 to Mythics for additional Oracle software licensing and support, in an amount not to exceed \$1,600,000.00. (Emergency Purchase)

Mr. Kambich indicated that CMS is in the midst of negotiating a new Master contract with Oracle but that negotiation is not expected to be complete prior to the expiration of the current contract. This emergency purchase seeks to lock in rates, plus additional discounts which will no longer be offered by the new CMS Master Contract. The offer expires at the end of November 2011.

Mr. Kambich indicated that this emergency purchase will result in savings of \$1 million in capital expenses and \$200,000/year in ongoing expense.

Item 3: Award of Contract No. 11-0362 to Kronos Incorporated for 2 years of continued support and maintenance of the Tollway's electronic time & attendance system, in an amount not to exceed \$201,761.17. (Sole Source)

Director Peterson noted that the headquarters for the contract awardees mentioned above are located out of state. He asked whether the vendors had offices in Illinois and/or employees in Illinois. Mr. Kambich responded yes.

Director Banks moved for approval of the Information Technology agenda items; seconded by Director Gonzalez. The motion was approved unanimously. Committee Chair Peterson called on Paul Kovacs, Chief Engineer, to present the following items:

Item 1: Proposal from Bloom Companies, LLC on Contract No. RR-11-5639 for Design Upon Request Systemwide in the amount of \$1,000,000.

Item 2: Proposal from Bloom Companies, LLC on Contract No. RR-11-5639 for Design Upon Request Systemwide in the amount of \$1,000,000.

Item 3: Proposal from J.A. Watts, Inc. on Contract No. RR-11-9113 for Intelligent Transportation Systems (ITS) Service Upon Request Systemwide in the amount of \$500,000.

Item 4: Proposal from DLZ Illinois, Inc. on Contract No. RR-11-5640 for Construction Management Services and Materials Engineering Services Upon Request Systemwide in the amount of \$1,250,000.

Item 5: Proposal from Chicago Testing Laboratory on Contract No. RR-11-5643 for Construction Management Services and Materials Engineering Services Upon Request Systemwide in the amount of \$1,250,000.

Item 6: Proposal from Dynasty Group, Inc. on Contract No. RR-11-9111 for Construction Inspection Services Upon Request Systemwide in the amount of \$500,000.

Item 7: Proposal from Engineering Enterprises, Inc. on Contract No. RR-11-5641 for Surveying Services Upon Request Systemwide in the amount of \$300,000.

Item 8: Proposal from Aero-Metric, Inc. on Contract No. RR-11-5642 for Aerial Mapping Upon Request Systemwide in the amount of \$500,000.

Director Gonzalez asked how many of the engineering contracts described above were awarded to primary DBE firms and whether the DBE goals for these contracts are determined based on award amount. Mr. Kovacs responded that two of contracts were awarded to prime DBE firms. He also indicated that the general manager of diversity determines the DBE goal on a contract by contract basis based on the availability of minority firms to do the work.

Regarding Engineering Items 1, 4, 5, 7 and 8, Director Gonzalez noted that the budget detail indicates allocation of funds in 2011 for work that will be conducted in 2012. He asked that Mr. Colsch provide an explanation offline on the rationale for the budget detail. Mr. Colsch and Ms. Lafleur agreed that staff needs to reconsider how the allocation is explained in the budget detail. Chair Wolff suggested that Mr. Colsch seek Director Gonzalez's input on the revised budget detail.

Item 9: Final Release of Retainage on Contract No. RR-05-5428 to Lorig Construction Company for Roadway and Bridge Rehabilitation on the Tri-State Tollway Edens Spur (I-94) Milepost 25.4 (I-294 Northbound Overpass) to Milepost 30.0 (Edens Expressway) in the amount of \$736,247.45.

Item 10: Final Release of Retainage on Contract No. RR-08-5475 to K-Five Construction Corp./James D. Fiala Paving Co. (Joint Venture) for Roadway and Bridge Rehabilitation on the Veterans Memorial Tollway (I-355) Milepost 12.3 (I-55) to Milepost 21.8 (Finley Road) in the amount of \$54,000.

Item 11: Final Release of Retainage on Contract I-10-5607 to Plote Construction, Inc. for Reconstruction and Widening on the Reagan Memorial Tollway (I-88) Milepost 119.5 to Milepost 120.0 (Farnsworth Avenue) in the amount of \$171,155.45.

Director Peterson asked what percentage of the contract amount is retained for a project and whether the retainage drives up the cost. Mr. Kovacs indicated that the trust indenture requires that 10 percent of the contract cost is retained initially. He also indicated that contractors contend that the high percentage of retainage drives up the overall

contract costs because it forces them to borrow more money to ensure sufficient cash flow. Contractors have indicated that lowering the retainage level to 3 percent would alleviate that burden. Chair Wolff suggested that the Finance Administration Operations Committee add review of this issue to its 2012 Work Plan.

Item 12: Authorization in the amount of \$13,000,000 for right-of-way acquisitions related to future improvements on the Jane Addams Memorial Tollway (I-90) at the IL Route 47 Interchange.

Director Peterson asked whether multiple appraisals were obtained for these right-of-way acquisitions and whether the land was developed or unimproved. Joann Fehn, Land Acquisition Manager, indicated that the Tollway obtained an appraisal and then had a review appraiser certify the appraisal. She also indicated that most of the acquisitions are unimproved land but some have impact on businesses. The Village of Huntley did retain ownership of land to minimize adverse affects to residences e.g., subdivisions. As a result, there are no relocations that will result from these acquisitions.

Director Banks moved for approval of the Engineering items; seconded by Director Gonzalez. The motion was approved unanimously. Committee Chair Peterson called on Michael Stone, Acting Chief of Administration, to present the following item:

Item 1: Approval of Collective Bargaining Agreement with Metropolitan Alliance of Police, Chapter 336.

Mr. Stone asked that discussion of this item be deferred to the Executive Session of the regular Board Meeting. Director Gonzalez made a motion to move this item to the Board Consent Agenda for

consideration; seconded by Director Banks. The motion was approved unanimously.

Committee Chair Peterson called on Elizabeth Looby, Acting General Counsel, to present the following items:

Item 1: An Intergovernmental Agreement with the Illinois Department of Transportation (Halsted Street). Cost to the Tollway: \$0.

Item 2: Workers Compensation Settlement – Michelle Costabile. Cost to the Tollway: \$94,186.75.

Item 3: Identification of Real Estate Parcels – Kane County. Cost to the Tollway: \$0.

Item 4: Identification of Real Estate Parcels – Cook County. Cost to the Tollway: \$0.

Item 5: 350 Green Electric Fuel Re-Charging Stations. Cost to the Tollway: \$0.

Director Banks moved for approval of the Legal items; seconded by Director Gonzalez. The motion was approved unanimously.

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

Meeting adjourned at approximately 9:45 a.m.

Minutes taken by: _____

Tranece Artis
Board Secretary
Illinois State Toll Highway Authority