

Illinois State Toll Highway Authority
Minutes of the Audit Committee Meeting November 18, 2010

The Illinois State Toll Highway Authority held an Audit Committee Meeting on Thursday, November 18, 2010 at approximately 8:45 a.m. at the Central Administration Building in Downers Grove, Illinois.

Directors on the Committee in attendance were as follows:

Committee Chair Paula Wolff

Director James Banks

Director Jim Roof

Chair Wolff called the meeting to order. Director Banks moved to approve the minutes of the Audit Committee Meeting held on September 17, 2010; seconded by Director Roof. The motion was approved unanimously.

Executive Director Lafleur introduced Chief of Finance, Mike Colsch. Mr. Colsch gave a presentation on the Quarterly Financial Review Report for the Third Quarter.

Director Saldana asked if revenue from the May 2010 estimate was in fact down an additional \$8.3 million in addition to the \$14 million noted on the chart. Mr. Colsch noted that yes, the 2010 revenue numbers were readjusted in September and October 2010 with the introduction of the tentative 2011 budget, and the 2010 revenue estimates were in fact reduced.

Mr. Colsch continued that traffic transactions for 2010 have increased 5.3 percent from 2009 transactions, and that 2010 third quarter revenue was only slightly off the May 2010 estimate.

Director Morris asked why projected investment income was not adjusted in October. Chair Wolff clarified that when staff produced the

2011 budget, it was benchmarking it against a double-revised 2010 budget. Director Morris added that in the future it would be helpful to add an October 2010 column in the presentation for clarity. Mr. Colsch responded that he would add the progression to the chart next time.

Director Canham asked why the investment income is still falling. Mr. Colsch answered that short term interest rates are very low, and the Tollway has legal authorization for a limited set of investments. He noted that the Tollway can invest in Treasuries (securities), and that staff will review the Tollway's statutory investment authority because some agencies are able to invest in taxable municipal bonds, which result in a better yield. Mr. Colsch noted that the Tollway is restricted from investing in municipal bonds under the Public Funds Investment Act. Executive Director Lafleur noted that staff will be looking at this issue as part of the 2011 legislative agenda. Chair Wolff suggested upon Board restructuring in 2011, a new committee should be formed to look at investment issues. Director Morris suggested an ad-hoc committee. Chair Wolff noted that it is beneficial to have several Board members familiar with the topic if the Tollway is approaching the General Assembly to request a legislative change. Director Canham suggested that in the future, Mr. Colsch should include on his budget slides a 2010 original estimate, May revised estimate, and current status.

Mr. Colsch noted in his presentation that the expectation is that final revenue numbers for 2010 will close somewhere between the 2010 budget projection and the May projection. He went on to note that the operating expenses were revised downward in the tentative budget. Operating expenses were \$4 million less than projected for the third quarter, and year-to-date, \$13 million less than what was originally budgeted for the year. He noted that this \$13 million variance was what allowed the 2010 budget to be reduced by \$7 million, to \$258 million.

Mr. Colsch added that through the first three quarters of 2010, \$57.9 million less than what was planned for had been spent with respect to the capital program, primarily due to timing of payments and scheduling of

projects. The estimate of these expenditures has been reduced in the 2011 tentative budget for 2010 by \$26 million (from April estimates). Director Morris suggested that it would be helpful to see what is actually encumbered and expected to be spent by year end. Director Saldaña responded that she assumes that what is being presented to the Board is a high-level summary and that everything the Board approves is tied to a specific budget line item. Mr. Colsch responded that each month, Finance works with the Project Management Office and the Department of Engineering to assess the value of the work that has been done and obligate that in the form of earned work against the budget. At this point of the year, some of the amounts budgeted for the work scheduled to be done by the end of the year will not be spent, because the cost of what has been done so far is less than what was budgeted. The variances are intended to reflect these differences. Director Morris responded that he does not want the Board to commit to expenditures beyond what is reasonable because the Board is only looking at a portion of the total cost.

Mr. Colsch summarized that the 2010 revised projections for September/October included a revised revenue projection of \$660 million, a revised operating budget of \$258 million, a reduced debt service transfers estimate of \$225 million, reduced CRP capital expenses of \$221 million, and reduced non-CRP expenses of \$45 million.

Chair Wolff thanked Mr. Colsch for his presentation.

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

Meeting adjourned at approximately 9:15 a.m.

Minutes taken by: _____
Jackie Diaz