

Illinois Route 53/120 Project
 Finance Committee Meeting #3
 February 13, 2014
 Meeting Minutes issued by Lake County

The meeting was called to order at 2:03 p.m. which was followed by roll call.

PRESENT	NAME	REPRESENTING
Present	Chris Meister	Co-Chair
Present	Doug Whitley	Co-Chair
Present	Aaron Lawlor	Lake County
		Co-Chair, BRAC
Present	Charles Witherington-Perkins	Village of Arlington Heights
		Village of Barrington
		Village of Buffalo Grove
		Village of Grayslake
Present	Stephen Park	Village of Gurnee
Present	Linda Soto	Village of Hainesville
Present	Joseph Mancino	Village of Hawthorn Woods
Present	Mike Talbett	Village of Kildeer
Present	Tom Poynton	Village of Lake Zurich
		Village of Lakemoor
Present	Terry Weppler	Village of Libertyville
Present	David Lothspeich	Village of Long Grove
Present	Steve Lentz	Village of Mundelein
		Village of Palatine
Present	Tom Rooney	Village of Rolling Meadows
		Village of Round Lake
		Village of Round Lake Park
Present	Dave Brown	Village of Vernon Hills
		Village of Volo
Present	Doug Maxeiner	Village of Wauconda
Present	Wayne Motley	City of Waukegan
Present	Mike Streitmatter	Cook County Department of Transportation and Highways
Present	Jim Heisler	McHenry County
Present	Jim LaBelle	Metropolis Strategies
Present	David Stolman	BRAC Founding Co-Chair
Present	Brad Leibov	Liberty Prairie Foundation
Present	Michael Stevens	Lake County Partners
Present	Marty Buehler	Lake County Transportation Alliance
Present	Tony Small	Illinois Department of Transportation
Present	Robin Helmerichs	Federal Highway Administration

General Business

Call to Order, Roll Call and Approval of Meeting Minutes

Doug Whitley (DW) opened the meeting by reminding the Committee members to sign the disclosure agreement to disclose any potential conflicts of interest. **DW** then listed the objectives of today's meeting. He then asked for a motion to approve the meeting minutes from the December 3, 2013 Finance Committee meeting. On a motion by **Thomas Poynton**, seconded by **Wayne Motley**, the meeting minutes were unanimously approved.

Chris Meister (CM) provided the Committee with a summary of the previous meeting. **CM** introduced today's presenters: **Jill Jaworski**, Managing Director at Public Financial Management, Inc. who will provide a primer on financing; **Mark Briggs** from Parsons Brinkerhoff who will present information on value capture; and **Rocco Zucherro** who will present the Tollway's cost sharing policy.

Financing 101

Jill Jaworski (Jill J) prefaced her presentation stating that she would be giving a high level overview to help the Committee understand the various issues and terminology of funding and financing as background to future analysis that will be presented to the Committee. She began by differentiating between funding which is the actual money used to pay for the project that may come from tolls and the proceeds from bonds and financing, in this case through the sale of bonds, is the tool to accelerate funding which securitizes future revenues. **Jill J** next described in general terms how to arrive at the Tollway's ability to service debt: its financial capacity. She explained the relationship between dedicated revenues and credit quality and how pledging more than one source of revenue to pay debt service reduces the risk and improves credit quality. Credit quality is also affected by the length of the financing: longer term bonds are viewed to be riskier because of the uncertainty inherent in projecting revenues further out in the future. **Jill J** then described in more detail how to calculate the net revenue available for financing. She then described how the net revenues will be used in part to maintain reasonable debt service coverage, the ratio of anticipated revenue to the annual debt service payment, to keep the agency's credit quality high. The Tollway maintains its debt service coverage above two times revenue to debt service payment. **Jill J** defined various basic financing terms and bond types that the committee members will need to understand going forward. **Jill J** concluded her presentation with a graphic of an example of project financing indicating the repayment schedule of the various financing instruments she described.

Value Capture Basics

Mark Briggs (MB) began his presentation by stating that value capture is one of the creative financing mechanisms included in the BRAC report as a possible source of funding. He defined value capture as a type of public financing that recovers some or all of the value, through real estate property taxes, that public infrastructure investments generate for private developments. All of the revenue that accrues through value capture comes as a result of private sector activities. The two vehicles for value capture are special service areas (SSA) and tax increment financing (TIF). Each involves capturing all or a portion of taxes assessed on private property located within defined geographic areas to fund specific infrastructure improvements. SSA's are currently in wide use in Lake County. The legislative authority for SSA's is very broad in terms of the types of improvements that may be funded. There needs to be an essential nexus between the benefit to the affected property owners and the assessment rates. This is based on the proposition that the implementation of the proposed infrastructure improvement, in this case the roadway, will result in increased property values adjacent to or in close proximity to the proposed interchanges. **MB** stated that private sector "champions" are absolutely necessary for the

success of an SSA. **MB** provided the example of a successful SSA used to finance transit stations along the extension of a Metro line in Tysons Corner, Virginia. The impetus for the Virginia example came from the private sector. The question for Lake County is whether or not there is an incentive based on the proposed roadway and the locations of the interchanges for the private sector developers to determine if there sufficient anticipated benefit to them. TIF districts are also being used in Lake County. Here as is the case with SSA's the TIF statute in Illinois is very broad in terms of what can be done. Everything that has been mentioned relative to the 53/120 project would be eligible. Whereas SSA's requires private sector impetus, TIF districts are public sector driven. The amounts of revenue that will be generated by either SSA's or TIF's are going to vary hugely among the various jurisdictions. And in order to accomplish some things it will be necessary to pool these revenues and that will take some cooperation and understanding among the parties. As is the case with SSA's and the need for private sector impetus, the success of TIF financing requires public sector champions. **MB** concluded with a presentation of an example of TIF financing for roads in suburban Maryland. The TIF district supported \$169 million in road improvements. He cited another example in North Carolina involving multiple jurisdictions that formed a unified TIF district and an SSA to finance a transit corridor. The revenues were pooled under a joint powers authority.

Steve Lentz asked if either SSA or TIF financing was used in the EOWA project.

MB answered by saying that neither method was used.

Joe Mancino asked how a multi-jurisdictional SSA or TIF would work.

MB answered that in North Carolina each jurisdiction created its own district and pooled the revenue with the joint powers authority.

Tollway Interchange and Roadway Cost Sharing Policy

Rocco Zucherro (RZ) with new leadership at the Tollway it was decided to review the cost sharing policy that had originated with the I 355 project. The current policy grew out of work done by the Tollway Strategic Advisory Team in 2010. The result is the 2012 Interchange and Roadway Cost Sharing Policy. **RZ** detailed an overview of the policy highlighting the primary considerations that go into the Tollway's deciding to participate in a project. He also provided a list of Tollway projects and the participating local agencies where cost sharing has happened.

DW in giving an overview of the process over the next weeks and months indicating that the next meeting will be an initial coordination with the land use committee. He then asked the Committee members if there are any questions. **DW** began the questions by asking how joint governance works with multi-jurisdictional SSA's or TIF's?

MB the authority to create either of these types of districts lies with the individual municipal entities within its corporate limits. The reason that this worked for the entire corridor was that there was agreement that the revenues resulting from each of the districts was pooled under the joint powers authority.

Brad Leibov using the examples that were cited relative to cost sharing is it fair to say that the Tollway is looking for local participation in the 10% to 25% range?

RZ we don't have a set formula but you could infer that from what we have done in the past.

Mike Talbett to RZ when you mentioned the new cost sharing policy the first thing you mentioned was that the project need must be substantiated. Has the project need been established for the 53/120 project?

RZ yes, I think the need has been established.

DW do we have private sector champions that have approached the County?

Aaron Lawlor about the project, yes about value capture, no.

DW then we have some work to do to line up support. **Jill J** is there a debt limit issue that we need to be concerned about?

Jill J every TIF is evaluated on its own credit not on how many TIF districts there are elsewhere in the County.

Joe Mancino how can we be ensured that the design and environmental standards will be followed in the construction?

DW I haven't seen any attempts to deviate from the BRAC recommendations.

Mike Talbett in other states where these intergovernmental agreements involving multi-jurisdictional TIF's, is there any provision for joint several liability in case one or more individual TIF's defaults will the other jurisdictions have to make up the shortfall?

MB that is absolutely the first question asked by every jurisdiction. And the answer was that their only responsibility was to contribute TIF and SSA revenues that they generated to the joint powers authority.

Mike Stevens is there any way to achieve the environmental outcomes at a lower cost?

DW I think that is a legitimate question and I think that we will have to cross that when we figure out how these dollars flow together. Ultimately that becomes an engineering issue.

Aimee Lee as part of the feasibility analysis the consultants are on board to try to answer some of these questions. I know that there is a desire on the part of the Tollway Board of Directors to address more cost effective ways to achieve the BRAC recommendations. We will arrange to share some of these findings as they become available at a future meeting.

Next Steps

DW at the next meeting we will be presenting preliminary results of the traffic demand model. We will also present the preliminary results on the revenue study. We will have the initial coordination with the Land Use Committee. The next meeting will be at the University Conference Center on March 18.

Public Comment

Elliot Hartstein I know that there has been a significant amount of land acquisition by IDOT and has that been factored in to the estimated cost of the project? Has there ever been in any other part of the country some cost of development rights assessed on property located at interchanges?

RZ the cost right-of-way already acquired by IDOT is not included in the funding gap estimate.

MB there has been instances elsewhere in the nation where similar development arrangements that you describe have been employed.

Elaine Nekritz some of the benefit of this is congestion relief in Cook County. Is there any sort of value added model for that sort of relief that Cook County will experience?

RZ that is one of the things we will be presenting at the next meeting as part of the travel demand model.

Meeting adjourned at 3:50 p.m.