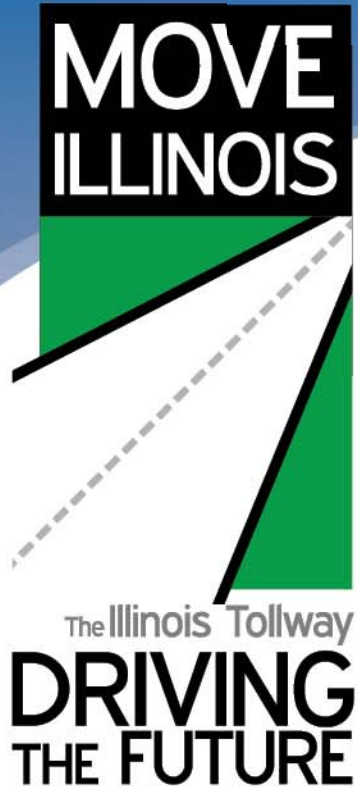


Illinois Route 53/120 Project



Finance Committee

**Meeting Three
February 13, 2014**

Lake County Central Permit Facility



Objective of Finance Committee

- **Disclosure Agreement**
- **Finance Committee will be responsible for developing a viable and sustainable plan**
 - Co-Chairs, Tollway, and consultant team here to assist, conduct studies and analyses
- **Ultimately, the Finance Committee will forward its recommendations to the Illinois Tollway Board of Directors**



Strategy for Success

- **Now through April**
 - ▣ Results of revenue studies and travel demand model
 - ▣ Continuing data analyses and fact finding
 - ▣ CMAP initiating land use study
- **Today's Agenda**
 - ▣ Primer on financing
 - ▣ Primer on value capture
 - ▣ Tollway Interchange and Roadway Cost Sharing Policy



Summary of Previous Meeting

- **Meeting #2, December 3, 2013**
- **Presented feasibility analysis cost estimate**
 - \$2.56 to \$2.87 billion (2020 dollars)
- **Presented theory of project cost estimating**
 - Increased confidence with continued refinements over time
- **Discussed preliminary funding gap estimate**
 - \$2.47 billion (2020 dollars)
- **Introduced BRAC funding options**

Financing 101

**MOVE
ILLINOIS**

The Illinois Tollway
**DRIVING
THE FUTURE**

Jill Jaworski Background

- Managing Director at Public Financial Management, Inc. (PFM)
- 15 years of experience as a municipal financial advisor and investment banker
- Specializes in transportation finance and working with large, complex issuers
- Graduate of the University of Chicago, B.A. in Political Science
- PFM provides day-to-day advisory services to the Tollway on bond issuance and debt portfolio
- PFM is a full service firm providing advisory services to municipal and governmental entities



Toll Revenue Financing Overview

- **Funding vs. financing**
- **Financial capacity process overview**
- **Dedicated revenues and credit quality**
- **Gross-to-net revenue calculation**
- **Types of debt and revenue curves**
- **Basic toll revenue financing terms**
- **Project example**

Toll Revenue Financing Overview

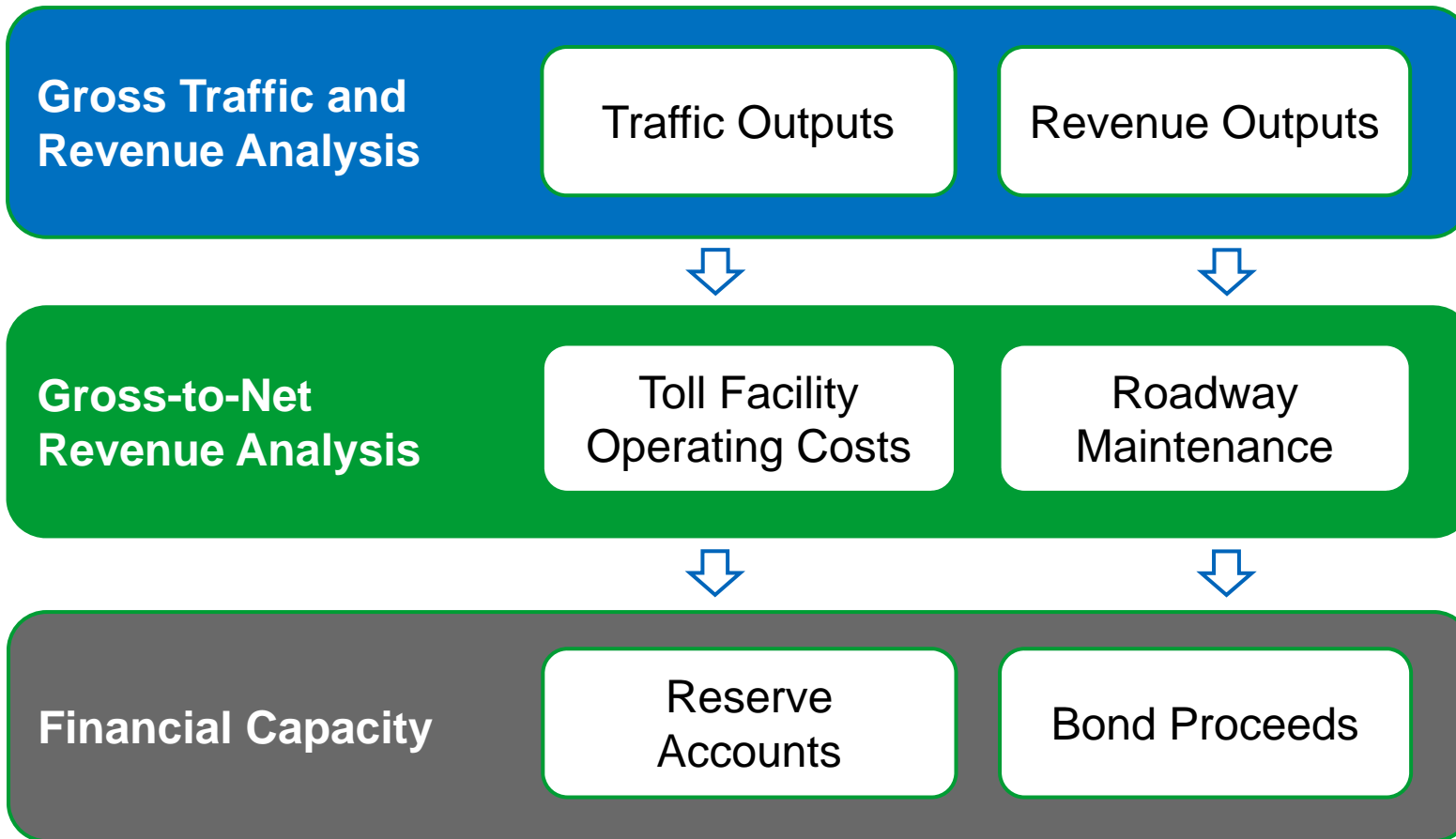
Funding

- Money used to pay for the project
- Grants, pay-as-you-go revenue
- Construction fund deposit from sale of bonds

Financing (Bonds)

- Tool to accelerate funding
- Converts a revenue stream into an up-front payment

Financial Capacity Process Overview



Dedicated Revenues and Credit Quality

- Single asset/
non-recourse

Most risky

- Double barrel

Less risk

- General
obligation

Least risk

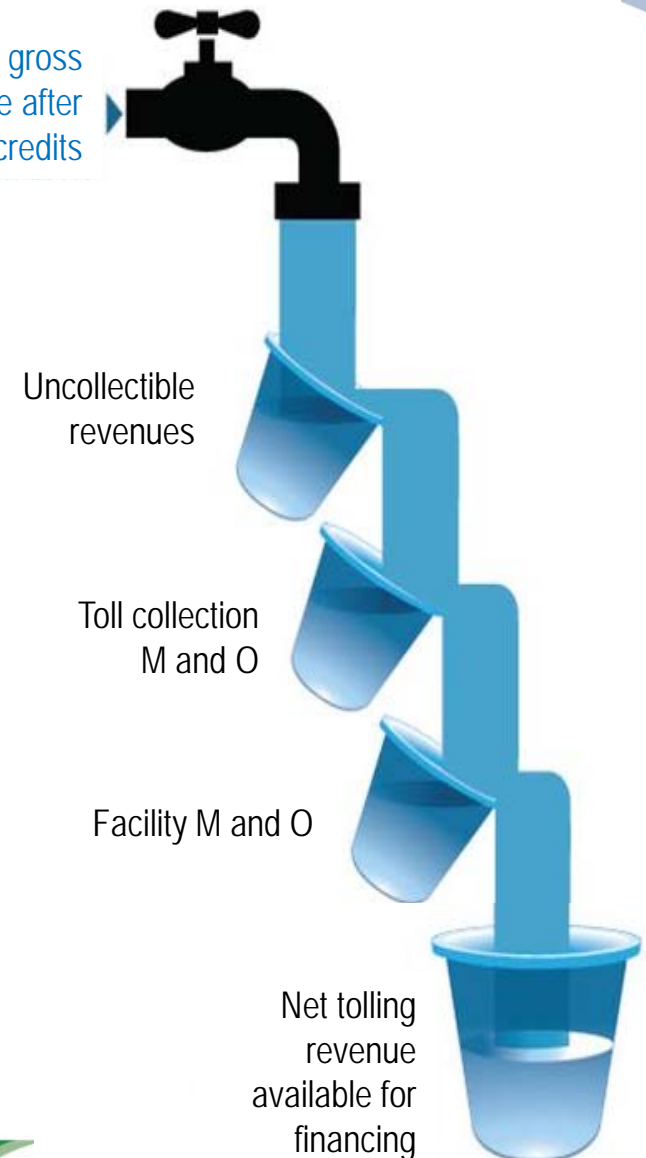
Depends on
quality as
well as
number of
sources



Gross-to-Net Revenue Calculation

- **Gross toll revenue:** Potential revenue before adjustments
- **Uncollectible accounts:** Adjustment for uncollectibles/leakage/ramp up
- **Toll collection M and O:** Agency/back office oversight costs, processing, customer service, equipment maintenance, etc.
- **Facility M and O:** Routine annual costs to maintain and operate the roadway
- **Net revenue available for financing:** Remaining revenue used to estimate the financial capacity

Adjusted gross toll revenue after fees and credits



Toll Revenue Financing Basic Terms

- **Debt service coverage:** Ratio of expected net revenue to annual debt service payment
- **Par value:** Face amount of bonds
- **Bond proceeds:** Dollar amount generated by selling the bonds
- **Cost of issuance:** Deduction from par to pay sales, legal and other advisors and transaction costs
- **Capitalized interest:** Funds set aside to pay interest in the early years of the repayment term until regular (interest and principal) payments begin
- **Debt Service Reserve Account (DSRA):** Funds set aside as a safety net to pay debt service if revenues are insufficient
- **Project fund deposit:** Remaining funds available to apply to the cost of construction

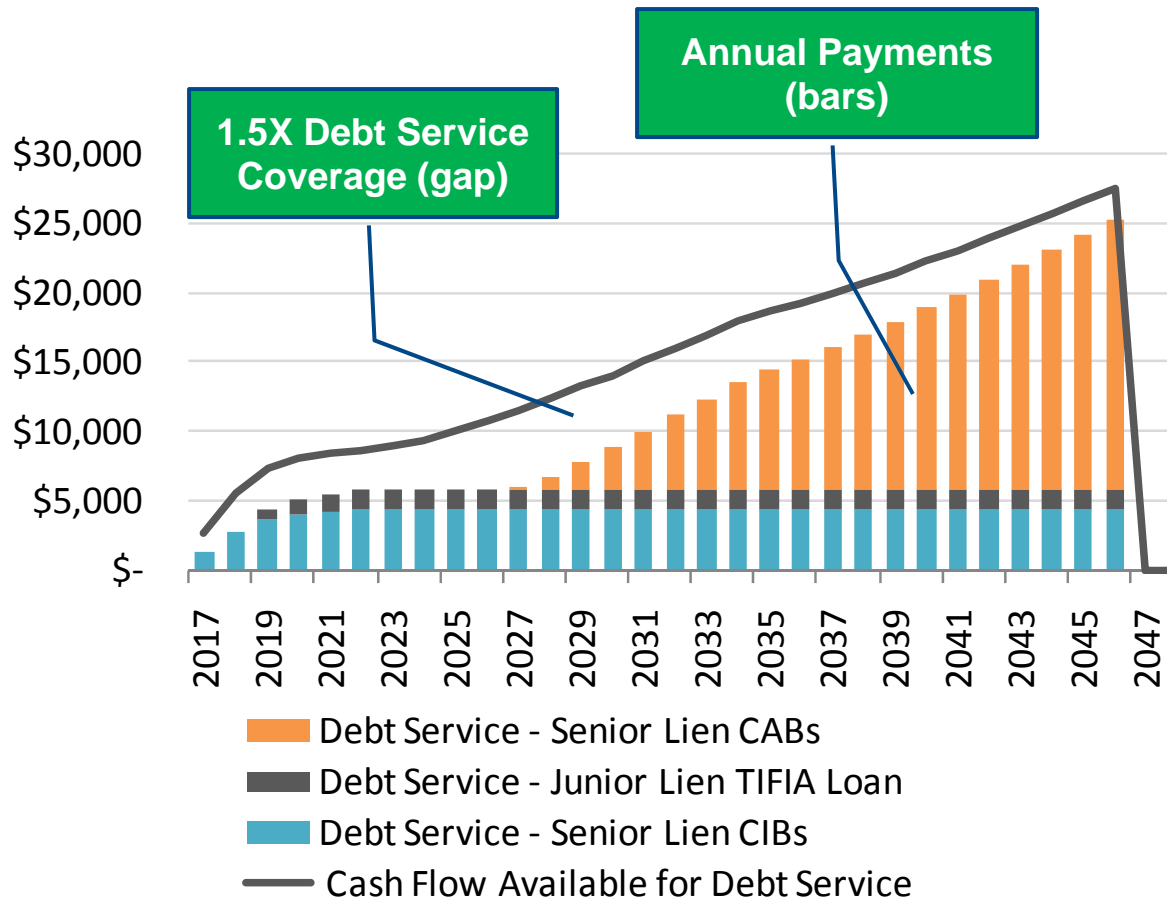


Toll Revenue Financing Basic Terms (continued)

- **Current Interest Bond (CIB):** A type of bond where roughly equal principal and interest payments are made each year, similar to a home mortgage structure.
- **Capital Appreciation Bonds (CAB):** A type of bond where principal is not due until the end of the repayment term. Typically, matched with an increasing revenue stream.
- **TIFIA:** Transportation Infrastructure Finance and Innovation Act – USDOT program that provides credit assistance to projects – generally, more favorable loan terms (lower interest rates flexible repayment terms).



Project Example



SOURCES (\$000s)

Gross Bond Proceeds	119,677
TOTAL SOURCES	119,677

USES (\$000s)

Project Fund Deposit	(97,579)
DSRA Deposits	(9,682)
Cost of Issuance	(2,436)
Capitalized Interest	(9,980)
TOTAL USES	(119,677)



Value Capture

**MOVE
ILLINOIS**



The Illinois Tollway
**DRIVING
THE FUTURE**

Mark Briggs Background

- Vice President and Director of Finance and Investment with Parsons Brinckerhoff (PB)
- 40 years of experience with value capture
- Structured 200 public-private partnerships in 21 states
- Currently working on 12 highway and transit projects utilizing value capture and public-private partnerships
- Parsons Brinckerhoff is a member of the Feasibility Analysis consultant team
- PB is a leader in infrastructure design with a strong consulting practice in public finance



Value Capture Basics

- **What is it?**
 - ▣ Type of public financing that recovers some or all of the value that public infrastructure generates for private developments
- **Value capture mechanisms:**
 - ▣ Special service area (SSA)
 - ▣ Tax increment financing (TIF)



Special Service Area

What it is and isn't

Nexus between the benefit to owners and the assessment rates

Toll road will result in higher rents and land values – offsetting the assessments

Importance of private sector “champions”

Examples of assessment supporting infrastructure



Example: Special Service Area



- ❑ Major development in northern Virginia outside Washington, D.C.
- ❑ Six major developers in the project promoted the creation of an assessment district
- ❑ The assessment district sold \$400 million in bonds to support the infrastructure



Tax Increment Financing

What it is and isn't

Policy decision by taxing authorities to allocate new revenues

Potential for "revenue sharing" among jurisdictions

Importance of public sector "champions"

Examples of tax revenues supporting infrastructure



TIF District Support for Roads



Rockville Pike

Suburban Maryland
congested area

Seven major
developers
participated in a TIF
district to support
\$169 million in road
work

Example: The Vision for Rockville Pike



TIF district put in place in July 2011



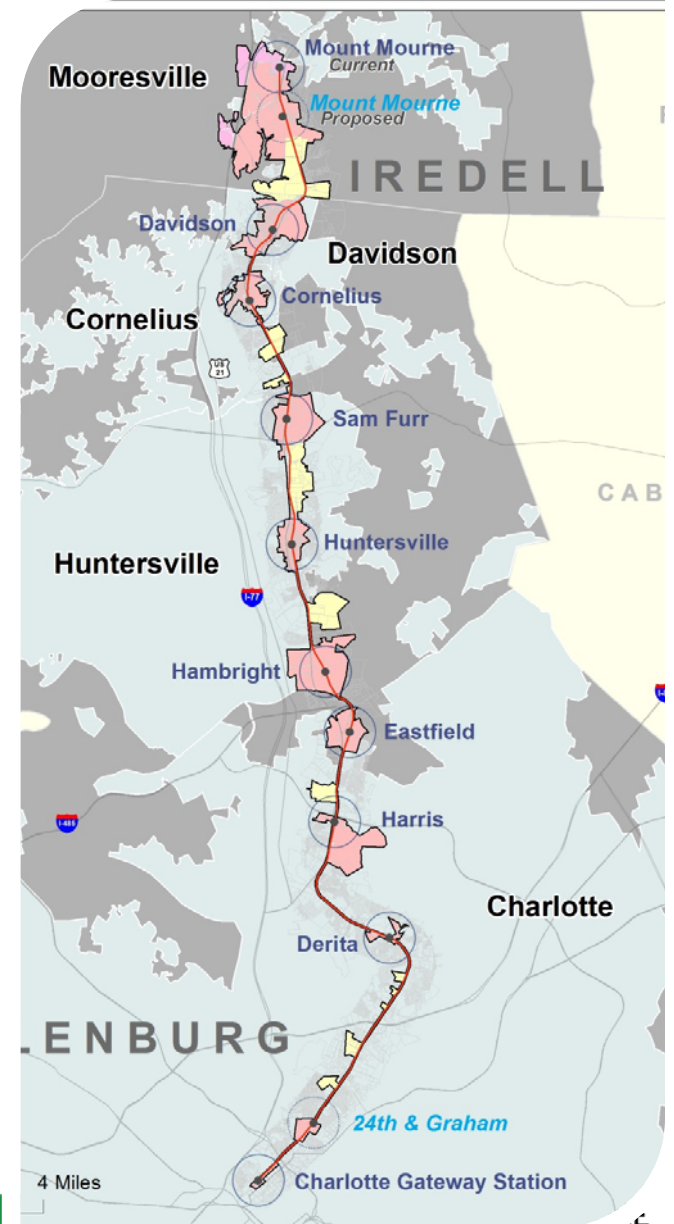
Example: Charlotte Red Line Corridor Approach

Project overview

- Upgrade existing 25-mile Norfolk Southern Railroad tracks
- Connects Charlotte to Mooresville
- Capital cost \$452 million

Project objectives and challenges

- Provide regional mobility
- Increase transit-oriented development
- Stimulate economic growth
- Large number of municipal stakeholders
- Large funding gap



Charlotte Red Line Corridor

- ❑ Created a corridor with a unified TIF district and special assessment area
- ❑ Proposes a joint powers authority to receive and administer the TIF and assessment revenues
- ❑ Local funds match state and transit authority contributions to fill the gap



Corridor Boundaries



Determining the boundaries for the TIF district and special assessment area



Determine the governance structure for the interagency cooperation



Address legal and legislative challenges

Tollway Interchange and Roadway Cost Sharing Policy

**MOVE
ILLINOIS**

The Illinois Tollway
**DRIVING
THE FUTURE**

Illinois Tollway: Approach to Cost Sharing

- **New leadership under Chair Paula Wolff and Executive Director Kristi Lafleur**
- **New leadership coinciding with recession impacts led to new direction on how projects should be funded**
 - 2010: Tollway Strategic Advisory Team
 - 2012: Interchange and Roadway Cost Sharing Policy



Overview of Cost Sharing Policy

- **First, project need must be substantiated**
 - ▣ Traffic benefits
 - ▣ Economic development benefits
 - ▣ Local support
- **New roadway cost share**
 - ▣ Local share
 - Cost of interchanges or
 - Ensure project viability



Interchange Cost Sharing Policy: Additional Considerations

- Provides system improvements (operational, environmental, safety and economical)
- Provides new access to a strategic regional arterial or designated truck route
- Applicant owns/has rights to needed right-of-way
- New access serves multiple regional purposes
- Collaboration and financing from multiple units of government



Cost Sharing Policy: Financial Plan Requirements

- **Financial plan**
 - ▣ Must address all project costs (uses)
 - ▣ Must identify project funding (sources)
- **Encourage tying “uses” and “sources”**
 - ▣ More equitable
 - ▣ Better anticipates funding restrictions



Examples of Cost Sharing

**MOVE
ILLINOIS**



The Illinois Tollway
**DRIVING
THE FUTURE**

Examples of Projects With Local Contributions

- **Veterans Memorial Tollway (I-355) South Extension (impetus for cost sharing policy)**
 - ▣ Five agencies shared in the cost of interchanges
- **Reagan Memorial Tollway (I-88)/Eola Road**
 - ▣ DuPage County: cash contribution
 - ▣ Aurora: land acquisition and donation
- **Jane Addams Memorial Tollway (I-90)/Illinois Route 47**
 - ▣ IDOT: share of project tied to road improvements
 - ▣ Kane and McHenry counties: design and cash contribution
 - ▣ Huntley: design and cash contribution



Examples of Projects With Local Contributions

- **Tri State Tollway (I-294)/Balmoral Road**
 - ▣ Rosemont financed and constructed entire project
 - ▣ Tollway 50 percent reimbursement tied to revenue
- **Jane Addams Memorial Tollway (I-90)/Irene Road**
 - ▣ Boone County/Belvidere: land donation and engineering
- **Jane Addams Memorial Tollway (I-90)/Barrington Road**
 - ▣ IDOT: cash contribution
 - ▣ Hoffman Estates: engineering and cash contribution
 - ▣ Alexian Brothers Hospital: cash contribution to Hoffman Estates



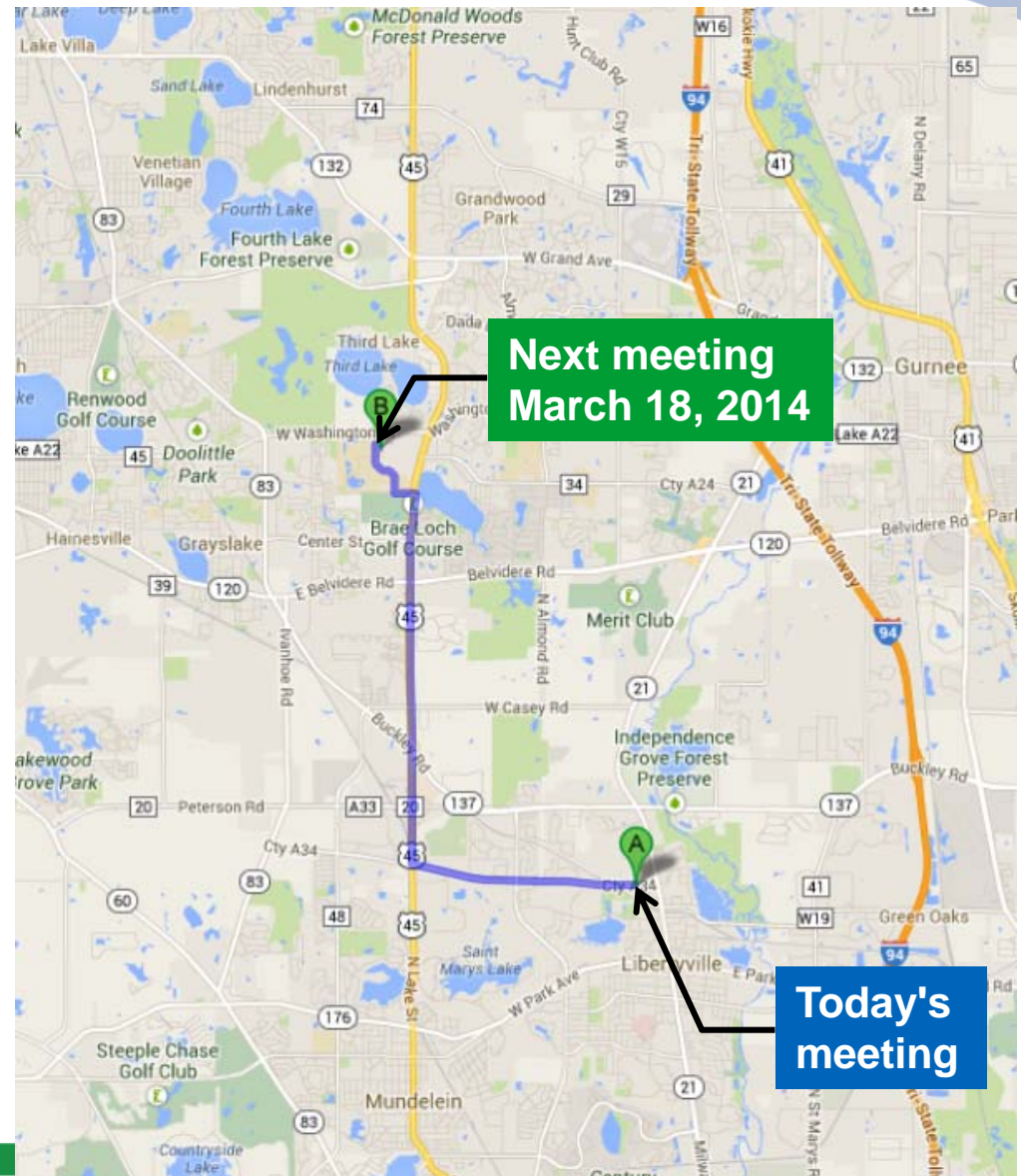
Discussion of Topics for Next Meeting

- Present preliminary results of travel demand model
- Present preliminary results of revenue studies
- Initial coordination with land use study



Next Meeting Logistics

- **Tuesday, March 18, 2014**
 - ▣ University Center of Lake County
Conference Center
1200 University Center Drive
Grayslake, IL 60030
- **Finance Committee Meeting**
 - ▣ 1 p.m. to 2:30 p.m.
- **Land Use Committee Meeting**
 - ▣ 3 p.m. to 4:30 p.m.



QUESTIONS and ANSWERS

**MOVE
ILLINOIS**



The Illinois Tollway
**DRIVING
THE FUTURE**

PUBLIC COMMENTS

IL53120Info@getipass.com

**MOVE
ILLINOIS**



The Illinois Tollway
**DRIVING
THE FUTURE**

THANK YOU!

**MOVE
ILLINOIS**



The Illinois Tollway
**DRIVING
THE FUTURE**