

Illinois Route 53/120 Project
Finance Committee Meeting #5
May 8, 2014
Meeting Minutes issued by Lake County

PRESENT

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NAME

Chris Meister
Doug Whitley
Aaron Lawlor
George Ranney
Charles Witherington-Perkins
Jeffrey Braiman
Michael Ellis
Stephen Park
Linda Soto
Joseph Mancino
Mike Talbett
Tom Poynton
Matt Dabrowski
Heather Rowe
David Lothspeich
Steve Lentz
Jim Schwantz
Tom Rooney
George Monaco
Linda Lucassen
Roger Byrne
Burnell Russell/Eric Tison
Doug Maxeiner
Wayne Motley
John Yonan

Jim Heisler
Jim LaBelle
David Stolman
Brad Leibov
Michael Stevens
Marty Buehler
Pamela Althoff
Tony Small
Robin Helmerichs

REPRESENTING

Co-Chair
Co-Chair
Lake County
Co-Chair, BRAC
Village of Arlington Heights
Village of Buffalo Grove
Village of Grayslake
Village of Gurnee
Village of Hainesville
Village of Hawthorn Woods
Village of Kildeer
Village of Lake Zurich
Village of Lakemoor
Village of Libertyville
Village of Long Grove
Village of Mundelein
Village of Palatine
Village of Rolling Meadows
Village of Round Lake
Village of Round Lake Park
Village of Vernon Hills
Village of Volo
Village of Wauconda
City of Waukegan
Cook County Department of Transportation
and Highways
McHenry County
Metropolis Strategies
BRAC Founding Co-Chair
Liberty Prairie Foundation
Lake County Partners
Lake County Transportation Alliance
Illinois State Senator
Illinois Department of Transportation
Federal Highway Administration

General Business

Call to Order, Roll Call and Approval of Meeting Minutes

Doug Whitley (DW) recapped the previous Finance Committee meeting, which covered travel demand modelling results, revenue forecasting and bonding capacity estimates. The previous meeting ended with a breakout session to start talking about approaches to closing the funding gap. On a motion by **Jim LaBelle (JL)**, seconded by **Linda Soto (LS)**, the meeting minutes from March 18, 2014 were unanimously approved. **DW** stated that the objective of today's meeting was to prepare for the upcoming presentation with the Tollway Board Committee on May 21. The presentation would provide a midterm update on the Finance Committee and an opportunity for the Finance Committee to solicit feedback from the Tollway. **DW** commented that the breakout session from the previous meeting was critical because it started the conversation toward making the difficult funding decisions.

Breakout Session Recap Discussion

Chris Meister (CM) introduced representatives from each of the previous breakout session groups to review the funding options they recommended during the previous meeting's breakout session. **Aaron Lawlor (AL)**, **Red Group**, said his group based its decisions on assumptions from the Blue Ribbon Advisory Council (BRAC) report. The funding options included: value capture, federal funding; systemwide congestion pricing and indexing; tolling at existing access points along I-94 (Illinois Route 132, US Route 41, Russell Road and increasing the Waukegan toll); and lower cost borrowing.

LS, Green Group, stated that local contributions not be considered as funding options because local dollars are limited, and that cost reductions from the BRAC also not be considered because it could deny the project from happening. Her group recommended: longer term borrowing; low cost borrowing; new tolls at Route 132, Route 41 and Russell Road and increasing the Waukegan toll; congestion pricing and toll indexing; and tax increment financing (TIF) should first be explored.

Steve Lentz (SL), **Yellow Group**, said they wanted to create a package that was most attractive to the Tollway Board to take on the project. Aside from federal funding and tolling, **SL** said they sought to raise the most amount of money possible. The Yellow Group recommended Special Service Areas (SSA). He said there were advantages to both SSAs and TIF districts, but there are many more complexities with the TIF and the SSAs bring in money more directly. They also endorsed congestion pricing; motor fuel taxes and sales taxes; and the reconstruction and widening of the existing Illinois Route 53.

Brad Leibov (BL), **Blue Group** said the group saw the session as an opportunity to get to know their neighbors and discuss the process. He said the Blue Group strategized that cost savings are a given as engineering and costs are refined. Local contributions should not be considered yet, until all other options are exhausted, especially Tollway contributions, federal support and user fees, **BL** said.

LS said congestion pricing should be considered systemwide and that increased tolls in the area of Route 132 should be expected, as it is a vital tourism and business area that could support new tolls. **George Monaco (GM)** said they chose congestion pricing through a process of elimination. **LS** acknowledged that nobody wants to pay a toll, but if tolling or congestion pricing reasonably improves travel times, then it becomes a quality of life issue and residents are willing to pay.

SL commented that if the Committee has to come up with 10 percent and if the total cost of the project is \$2.8 billion, his group determined they must raise \$280 million. **SL** said TIF districts must gain approval from other taxing bodies, making it challenging. Multiply that by each community in the corridor, and it

becomes a larger project. An SSA is easier to implement, he said. **Joseph Mancino (JM)**, of the Yellow Group, raised concern over the SSA and the lack of time to fully rationalize funding options. **JM** said residents look at SSAs as tax increases. Most SSAs are hyper local and take on projects where taxpayers can see direct dividends. He questioned the geography of an SSA and how the committee justifies it. An SSA has not been done previously on this level, **JM** said. **Stephen Park (SP)**, of the Red Group, cautioned that whatever funding sources are needed for the Tollway, legislation will likely be needed in Springfield to advance a taxing district. He said why rest on past practices, but rather pursue the best idea. **SP** also commented that the Illinois Route 53/120 Project is not hyper local; it is a regional road with economic development potential making it a candidate for a TIF district. While there are no Tollway TIF districts, it should be considered. An SSA will not work politically or practically for residents, **SP** said. **LS** also added that she opposed an SSA, because it is another mode of taxation that will cause taxpayers to leave Illinois. One of government's duties is to provide roads. **AL** stated that the Red Group focused on TIF rather than SSAs because of economic competitiveness, and since legislative approval is already needed he said why not go after the best model. Because of the negative connotation of a TIF district, **AL** suggested calling it an infrastructure fund. **Jeffrey Braiman (JB)** asked what larger area will be part of the TIF district because the road affects and benefits everyone in the region so why hurt park districts, schools districts and villages in a limited area. He said if there is a sales tax, it should affect Lake County and Cook and McHenry counties. If there is a toll increase, it should be systemwide. Regional roads need regional solutions. **JM** said they are looking for small pieces from various sources to close the funding gap, so the TIF district can be conservative and include specific areas more impacted, like at access points to Route 53 or 120. **Heather Rowe (HR)** discussed the difficulty of implementing a TIF district, as it is a much harder sell with the numerous taxing bodies affected. She said a regional approach that touches all users will be needed to value the broader benefit outside the corridor. **BL** said the Blue Group examined the complexities of TIF and politically unpopular SSAs. They also looked at user fees through Lake County tolls as a local contribution. Those using the road and those that benefit from the road—developments near interchanges along the new roadway—are appropriate funding sources.

SP said the Finance Committee should look at using metro Chicago and regional revenue sources to help fund the regional Tollway network because the Illinois Route 53/120 Project will provide a larger, regional improvement. He said there are other regional sources of revenue that have not been covered, including tolls on existing Route 53 or local interchange cost sharing across the Tollway system.

AL said further analysis on congestion pricing is warranted. He said a countywide sale tax is difficult. A referendum on the ballot in Lake County has twice been defeated, and recently a similar sales tax referendum in Long Grove was strongly defeated. **Tom Rooney (TR)** said the concept of congestion pricing sells to the public. The same people, who oppose tolls on accessing or exiting existing Route 53 in Rolling Meadows, would also pay more to move faster. **John Yonan (JY)** said there is an incentive and disincentive to congestion pricing. There are emerging technologies to manage congestion pricing, but it is not only a payment to benefit you. It also penalizes drivers on the road during congestion.

David Stolman (DS) said the Illinois Route 53/120 Project should be funded regionally. Lake County already generates a 0.25 percent sales tax for the RTA and all revenues are devoted to transportation. He said state legislators should create a way to fund the road regionally and avoid a burden for Lake County. If reconstruction on the existing Route 53 is needed, he said it should be converted to a toll road to help fund the project. He said another systemwide toll increase is perhaps necessary.

DW commented that he was pleased with the discussion because the co-chairs are starting to hear common themes emerging to help fund the Illinois Route 53/120 Project. Those themes, he said, included tolling and some form of local value capture.

A panel of experts from federal, state and local and agencies was brought in to provide an overview of their respective funding sources and to be a resource to the Finance Committee as they further developed their mid-term update to the Tollway Board Committee.

Panel Discussion

JBlais, stated that there is limited amount of federal money. The FHWA is considering tolling, public-private partnerships and congestion pricing as options to finance other projects, he said. TIFIA, a funding tool that reduces borrowing, with flexible, low rates. Another federal option is TIGER grants, a competitive, discretionary program that has encouraged projects that expanded tolling facilities, congestion pricing and public private partnerships in the past. A third option discussed was CMAQ, which helped fund the EOWA. After Moving Ahead for Progress in the 21st Century (MAP-21), TIFIA loan availability has increased, **JBlais** said. He added that of the \$45 billion nationally, the State of Illinois received an average of \$1.3 to \$1.4 billion per year the last two years. About \$110 million will go through CMAP toward surface transportation projects in the Chicago region in 2014, **JBlais** said. The Highway Trust Fund however could become solvent by August, **JBlais** said. The federal gas tax is 18.4 cents/gallon, but the tax has not increased since 1993.

Mike Sturino, president and CEO of the Illinois Road and Transportation Builders Association, said his organization is calling for a diversion of the sales tax on fuel from the general revenue fund to the state's road fund. He said that could generate as much as \$800 million. He said this revenue change is part of a deal to make the temporary income tax permanent. He said Illinois will need a new capital bill to maintain the existing infrastructure. Without any earmarks and limited local appetite, he said the focus is on pay-as-you-go system, until a new funding plan is determined.

Ed Barry (EB), Chicago Laborers District Council, said there has not been a capital bill since 2009, and the state needs money to finish ongoing projects. Without a capital bill, there is no steady work for contractors and laborers and training new hires is limited and thus unemployment is high and equipment sits idle. **EB** also said his organization is seeking a motor fuel tax increase.

Mike Colsch (MC), of the Illinois Tollway, provided an overview of the Tollway's recent capital program history. Move Illinois is the Tollway's largest capital program with \$12 billion in funding toward maintenance, rebuilding and widening of the existing system and the creation of the Elgin O'Hare Western Access (EOWA), a \$3.1 billion Tollway investment and \$300 million commitment from local communities. The EOWA includes local contributions varying from CMAQ grant dollars to land donations. Move Illinois is funded from the issuance of \$5 billion in bonds and \$7 billion in revenue; it is a financial plan that works, **MC** stated. Most new roads the Tollway has constructed in recent years have been part of a broader, systemwide approach, and not isolated to one particular area. The systemwide connection is a component of a systemwide toll increase, he said. More fine-tuning of BRAC financing recommendations is needed for the Illinois Route 53/120 Project, he said. Issues, such as TIFIA loans, lower cost borrowing and longer term borrowing are relatively small pieces in finding a larger funding solution. **MC** said it is critical for the Tollway to finance future roads but also maintain its existing roads. Between 1958 and 2004, the Tollway relied heavily on tremendous traffic growth in the area, but that growth is not in future forecasts. Tolls were kept at \$0.30 from 1958 through 1983 and only raised 10 for the next few decades before being raised on average to \$0.75 in 2012.

CM asked what the Tollway Board seeks in new infrastructure projects. **MC** responded that the Board looks for participation from multiple stakeholders, a sound financial package that will not hurt the Tollway's credit worthiness, systemwide support and support for the project itself. **JM** asked if 10 percent is a realistic goal for the local contribution. **MC** said most new toll roads do not pay entirely for themselves, and that is why they seek additional funding, but he could not speculate what would be a sufficient level of contribution for this project. The Committee must work to minimize the funding gap. Responding to questions on the EOWA, **MC** stated that to this point, the locals have not implemented any SSAs or TIF districts for the EOWA. Although the locals have secured significant money from the federal government through the CMAQ grant, they are still short of reaching the \$300 million. The EOWA was also funded due to the phased implementation. **Marty Buehler** asked what happens in 2026 when the capital program ends. **MC** stated that the existing needs will be addressed through 2026. **SL** asked if new tolls in Lake County and congestion pricing be counted as a local contribution. **MC** answered that he could not answer that, but historically, new tolls have not been considered a local contribution.

Paula Trigg (PT), of the Lake County Division of Transportation, said she was encouraged about the blue group's cost savings ideas, the FHWA opportunities and systemwide Tollway funding options. She said the roadway is needed due to area congestion and the limited funds the county has for improvements. She said it is crucial that all the communities work together to share funding sources or congestion will worsen. **Roger Byrne (RB)** suggested Lake County work with state legislators to create a county motor fuel tax. DuPage, McHenry and Kane counties currently impose a tax on the retail sale of motor fuel at a rate of 4 cents per gallon. **RB** stated this revenue could fund the project.

CM reminded the Committee that the co-chairs would be going to the Tollway board to provide a midterm update. He said the major message from the meeting is the level of participation and interest in the project. Next, the Committee will need to create a progress report to the Tollway board on the status of the project. This synthesized report will summarize the ideas the committee has explored. **DS** and **AL** requested to review the report through email and **JM** said he wanted to offer comments. **Aimee Lee**, of the Tollway, asked if the breakout session summary should be revised as a starting point. **SL** suggested that SSAs be moved down in the menu of funding options. **JM** said the breakout session was not long enough to be weighed heavily.

CM then asked if the FHWA ever provides funding for existing toll roads, and **JBlais** said not in the past. Responding to **CM**, **JBlais** said that in addition to Tiger grant funds and TIFIA loans, the federal government provides funding through CMAQ and surface transportation projects. **JM** asked that if the Tollway were to receive federal support, what effects will there be on project design, environmental changes and implementation goals of the BRAC. **JBlais** said there will be federal guidelines and restrictions to adhere to if the project is federally funded.

CM said Tollway staff and the co-chairs will write a report and circulate it. On a motion by **SP**, seconded by **HR**, the meeting was officially adjourned.