

TO: Illinois Tollway Directors

FROM: Chris Meister & Doug Whitley, Illinois Route 53/120 Finance Committee Co-Chairs

DATE: May 21, 2014

RE: Illinois Route 53/120 Finance Committee Mid-term Status Report

It is our pleasure to provide you with a mid-term update of the work and progress related to the Illinois Route 53/120 Finance Committee. As you know this committee, which is comprised of local mayors, Lake County officials and other stakeholders, was formed to develop a recommendation to the Tollway Board of Directors for how this project could be funded.

The project, as envisioned by the Blue Ribbon Advisory Council (BRAC), is currently estimated to cost \$2.56-2.87 billion. Tolls on the new roadway are estimated to generate \$0.25-0.33 billion in bonding capacity, leaving a project funding gap of \$2.23-2.62 billion. (Estimates are all expressed in year 2020 dollars.)

The Finance Committee has met five times since October, 2013. To date, participation at these meetings has been very good. Committee members have been forthcoming and engaged.

The first meetings were educational, instructive and devoted to background awareness. The last two meetings have prompted initial discussions for how this project could be funded. We summarize the current status as follows:

- **Overall Approach:** The Committee views this project as regionally beneficial and, as such, believes it should be primarily funded through regional sources. The local contribution should be a small part of the overall funding solution. Recognizing Federal and state funding sources are limited, the main source of funding should be the Tollway system.
- **Local Contribution:** Some committee members recognize that a local contribution to the project is necessary to make the project viable, suggesting that a feasible local contribution could be 10% to 20% of the project cost. Others have expressed that a local contribution should not be required or should only be considered as a last resort to advancing the project. New tolls and reconfiguration or realignment of existing tolls in Lake County should be considered part of the local contribution.
- **Additional Potential Local Sources:** The Committee will further explore the contribution from new tolls in Lake County and assess various county taxing options. Value capture concepts remain under consideration though there is concern that these revenue generating mechanisms have a hyper-local effect, while this project is thought to have broader benefits. There is also concern about counterproductive outcomes of value

capture affecting regional competitiveness with the state of Wisconsin. These concerns may place value capture as a lower priority for the Committee.

- ***Tollway Contributions:*** The Committee recognizes that if the Tollway is looked upon as the project's main source of funding, a systemwide tolling strategy is needed. The Committee also appreciates that this project's financial plan is only viable so long as the funding of this project does not harm the agency's overall creditworthiness. The Committee supports indexing and congestion pricing as a systemwide tolling strategy.
- ***Project Cost Reductions:*** The Committee will need more time to assess and come to consensus on this issue. While some members have indicated an interest in reducing the project cost through more cost effective ways of achieving the BRAC's recommendations, other members have indicated any deviation from the BRAC report is considered a non-starter.

Please note these points are acknowledged as works-in-progress. We anticipate much more attention to detail, fine tuning of numerical calculations and specified options for revenue sources will emerge in subsequent meetings. In the meanwhile, the Committee would greatly appreciate your thoughts and reactions to this mid-term report.

Questions the Finance Committee would like to pose to the Tollway Board:

1. Does the Board wish to offer guidance towards a percentage or range that would be considered an appropriate level of local contribution?
2. What constitutes a local contribution? Can new tolls in Lake County be considered part of the local contribution?
3. Are there any system changes that should be considered using this project as a catalyst or pilot project?
4. Are any of the Committee's current thoughts reference above considered non-starters from the Tollway Board's perspective?