

Illinois Route 53/120 Project
 Finance Committee Meeting #8
 Roll Call September 11, 2014
 Meeting minutes issued by Lake County

PRESENT	NAME	REPRESENTING
Present	Chris Meister	Co-Chair
Present	Doug Whitley	Co-Chair
Present	Aaron Lawlor	Lake County
Present	George Ranney	Co-Chair, BRAC
Present	Charles Witherington-Perkins	Village of Arlington Heights
	Jeffrey Braiman	Village of Buffalo Grove
Present	Michael Ellis	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
	Matt Dabrowski	Village of Lakemoor
Present	Heather Rowe	Village of Libertyville
Present	Angie Underwood	Village of Long Grove
Present	Steve Lentz	Village of Mundelein
	Jim Schwantz	Village of Palatine
	Tom Rooney	Village of Rolling Meadows
Present	George Monaco	Village of Round Lake
	Linda Lucassen	Village of Round Lake Park
Present	Dave Brown	Village of Vernon Hills
Present	Burnell Russell	Village of Volo
	Frank Bart/Doug Maxeiner	Village of Wauconda
	Wayne Motley	City of Waukegan
Present	John Yonan	Cook County Department of Transportation and Highways
Present	Jim Heisler	McHenry County
	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
	Senator Althoff	Illinois State Senator
	Tony Small	Illinois Department of Transportation
	Robin Helmerichs	Federal Highway Administration

General Business

Call to Order and Roll Call

Co-chair **Doug Whitley (DW)** recapped the Committee on its work to date and commended the working groups for their commitment and formal recommendations to be presented at the meeting. **DW** explained that today's meeting would be primarily dedicated to reports from the three working groups—Tolling and Motor Fuel Tax, Value Capture and the Environmental Stewardship Fund (ESF).

However, before that, the consultants would first provide an update on the cost estimate refinement for the overall project and the BRAC innovations.

Mike Matkovic (MM), of Christopher B. Burke Engineering Ltd., said the Blue Ribbon Advisory Council (BRAC) innovations were refined from the June 30 meeting at a range of \$450 to \$600 million to a new range of \$325 to \$400 million in 2020 dollars. The cost of the BRAC innovations represents the incremental costs as compared to the previous engineering Plans of Record, Tollway standards and regulatory requirements. **MM** said they worked with members of the BRAC Environmental Working Group, Lake County Forest Preserve District and Lake County Stormwater Management Commission to refine the initial assumptions of the conceptual design, which err on being conservative. Input from those meetings allowed the consultants to refine their assumptions to achieve a lower cost while still meeting the intent of the BRAC recommendations. **MM** said the main cost areas of the BRAC innovations consisted of roadway design, environmental mitigation and the ESF. The primary areas of refinement dealt with greater utilization of wetland banking, accommodating wildlife crossings through underpasses as opposed to overpasses, and understanding that depressed roadway sections would be limited near floodplains and ADID sites. The refinements contributed to reductions in the overall project cost, now estimated in a range of \$2.35 to \$2.65 billion, **MM** said. Based on this coordination, they have gained a higher confidence level with the project cost estimates, but there is more work ahead as they move from the feasibility analysis to the next phase when more details are developed. **George Ranney (GR)** lauded the refinement effort for moving in a salutary direction, but he said additional analytical work may be necessary to ensure the cost savings still meet BRAC objectives. **Joseph Mancino (JM)** asked that the committee be provided more conceptual data and details on how they reduced costs. **MM** said they can provide those details, but there were no design concepts.

Lake County Tolling and Motor Fuel Tax Working Group

Marty Buehler (MB), chair of the Lake County Tolling and Motor Fuel Tax Working Group, said the group met four times, adopted objectives and considered 16 different funding options and concluded with recommendations on strategies for tolling and the Lake County fuel tax. **MB** said the group set out to raise revenue for the project, mitigate and minimize diversion onto local roads, improve tolling equity and make safety a priority under any tolling scenario. **MB** pointed out that Lake County currently benefits from having the longest stretch between toll plazas on the Tri-State. It has been that way for 16 years since the Deerfield Toll Plaza was removed for congestion issues, but it was before Open Road Tolling, which would have alleviated those congestion issues. **MB** said the group recommended indexing and congestion pricing on Illinois Route 53/120 to promote reasonable travel times and the “I-94 Deerfield System Approach” scenario, which entails an open road mainline toll plaza restored near Deerfield Road, a toll reduction at Waukegan Plaza and new tolls at Illinois Route 132, Illinois Route 21 and Illinois Route 120. The estimated bonding capacity is pending final analysis. A “full ramp tolling” scenario is also being considered as a back-up alternative to the “Deerfield System Approach.” The group recommended that the 1989 County Motor Fuel Tax law be amended to include Lake County to add a 4-cent per gallon flat tax, with half of the revenues split toward Illinois Route 53/120 and other half to transportation needs in Lake County, the first priority benefiting U.S. Route 41 improvements. The estimated bonding capacity toward the project from the fuel tax ranges from \$34 to \$45 million in

bonding capacity. The Tollway, IDOT and Lake County would have discretion in how local funds are allocated to best leverage federal funds that can be matched for off-system improvements, **MB** said. The estimated annual revenue from the fuel tax is \$5.7 million. The group also considered longer-term borrowing for the Tollway, but acknowledged there is a low likelihood in advancing needed legislation. Lower-cost borrowing through federal TIFIA loans was not recommended due to the risk to project delivery. The group however did consider off-system improvements. These projects can be led by other agencies that may be eligible for federal aid. **Stephen Park (SP)** added that the off-system improvements also have potential to be part of the local share, similar to the Elgin O'Hare Western Access. **MB** added that the "Deerfield System Approach" was the most equitable per-mile tolling scenario.

Value Capture Working Group

Steve Lentz (SL), chair of the Value Capture Working Group, said his group adopted objectives and developed a proposal referred to as the "Sustainable Transportation Fund." Because the Tollway by law cannot fund the ESF, **SL** said his group wanted all project-related value capture revenue to become a dedicated source to fund the ESF. The group recommended dedicating 25 percent of new non-residential development property taxes from an area within a one-mile radius from the corridor and two miles from proposed interchange locations. The remaining 75 percent of the increment would be dedicated to underlying tax districts. **SL** said it was a politically acceptable funding approach because even without the road there would be commercial development moving into the corridor. With the road, additional commercial development will enter. The slice of new property tax will benefit both the road and underlying districts. The projected net present value ranges from \$81 to \$108 million and the projected bonding capacity is \$46 to \$61 million. **SL** said they are breaking new ground in funding a new highway facility, but he also recognized that other states like Virginia, Florida and Texas have all created similar tax districts for transportation improvements. **SL** said the next steps are garnering support from municipalities and underlying districts, Lake County would also need to perform additional analysis as more information became available (such as the market analysis from the Land Use Committee) and new legislation would need to be drafted to create a multi-jurisdictional district and to establish that the funding is pledged to the ESF. As part of their work, the group examined existing statutes in Virginia, Texas and Florida.

Environmental Stewardship Fund Working Group

ESF Working Group Chair **Brad Leibov (BL)** said his group reviewed the BRAC report, worked to provide context of the ESF intent and adopted a purpose statement for the Fund. The group established that the ESF will provide financial support for the protection and enhancement of the natural resources, including agricultural lands and water bodies within two miles of the roadway. The fund will support efforts to improve the ecological health within the corridor through protection and restoration of at least 750 acres of land; long-term stewardship of the current and newly protected lands and other natural resources; innovative investments intended to remediate ecological health issues that may arise within the corridor; and monitoring and study to inform governance and funding priorities that will change over time if the ESF lasts 50 years. **BL** said the ESF is an essential and integral component of the project and should be included in the overall funding. They noted that it is desirable for funding sources

to be diverse, but recognized that statutory limitations related to what Tollway revenues can be used to fund must be considered. **BL** also noted value capture legislation requires that revenues be spent within the value capture district, which is slightly different than the defined ESF district. **BL** said the ESF will require more discussion and definition as funding is concerned, but the Tollway and Lake County should have discretion over how it is funded. The ESF can be funded over time, but a significant amount of funds may be needed to acquire and protect 750 acres of land, so it will either have to be front-funded, take on debt or fund large capital expenses over time. The group also established that the ESF shall be conducted in a transparent and financially accountable manner. An independent steering committee of Lake County municipal, environmental and elected leaders shall govern the fund. A technical advisory committee will evaluate land protection and restoration, air and water quality and the area's ecological health, and then advise the steering committee. **Linda Soto (LS)** asked how wetland mitigation banking will impact the proposed 750 acres of mitigation. **BL** said they reviewed direct and indirect environmental impacts to make clear what Tollway mitigation will take place along the corridor and what projects the ESF will cover indirectly. As technical data is developed, the Tollway and ESF steering committee will coordinate future maintenance. **SP** said it would best serve the Finance Committee to have a full assessment and specific detail on the ESF projects in anticipation of any questions from the Tollway Board. **BL** said they can give the Tollway context on how the ESF will be spent through indirect environmental impacts, but no magnitude of order or priority has been set, due to the ongoing work of the Land Use Committee. He said they still need to bring natural resource experts together to think long term. Land acquisition could be costly, and there are innovative and cost-effective options to consider, such as conservation easements. **BL** said the goal is not to fall behind in case the Tollway Board wants to advance the project. **DW** said they are cognizant of the importance of details and will identify those specifics with the Tollway Board.

Lake County summary

Aaron Lawlor (AL) credited the working groups and chairs on their progress. He said it is not an all or nothing approach, because if funding options may fall off, it is possible to move the project forward. He said there will be more refinement and creative thinking to support innovative infrastructure funding. **AL** then summarized his view of the menu of funding options and revenues.. He said value capture will create a net present value of \$81 to \$110 million; the motor fuel tax will generate a bonding capacity of \$67 to \$89 million, half of which will fund the Illinois Route 53/120 Project and the other half dedicated to Lake County infrastructure with the priority going to U.S. Route 41; congestion pricing and indexing will generate a bonding capacity of \$128 to \$165 million; the Deerfield System Approach tolling strategy can produce a bonding capacity of \$350 to \$450 million, and potential CMAQ or ITEP grant funding can generate \$55 million in bonding capacity. **AL** said he believes the total range of potential revenue for the project is \$681 million to \$869 million. **AL** said they are addressing the revenue side while reducing costs through the new refinements. **Dave Brown (DB)** asked about the 50 percent split of the motor fuel tax revenue between Illinois Route 53/120 and making U.S. Route 41 a priority. **AL** said their first priority was to choose a project from the Lake County Consensus list and utilize additional revenues for other projects. **DB** said he recommended U.S. Route 45 instead of Route 41.

Discussion

DW noted that more information is being refined, such as the bonding capacity estimate and the capital costs associated with the recommended tolling strategies. Though this analysis was still underway, **DW** said the Finance Committee is in position to meet with the Tollway Board and ask what their expectation is to complete the project now that the local contribution has been updated. **DW** asked what elements need to be discussed further and what messages need to be put forward to the Tollway Board meeting next week. The objective is to take the Tollway Board feedback and data gathering and then review it at the next Finance Committee meeting and begin to draft a final report. To this point, almost all of the buy-in and effort has targeted local investment and local commitment and the gap between the local funding options presented and the total cost of the overall project is still significant. **DW** said they must also return to the state to determine its contribution, perhaps to cover the cost of land acquisition. **DW** said he originally thought the Value Capture working group would be the largest dollar contributor, but the Tolling-Motor Fuel Tax working group was more straightforward and discovered a new approach to tie a primary funding source to the ESF. **DW** cautioned the group not to lose sight of the Land Use Committee's work. Conversations about value capture will begin to emerge in that committee, and likewise with the ESF, additional land acquisition issues will be addressed. **DW** said progress has been made and more work is ahead, but they have a clear path forward.

George Monaco (GM) said value capture is a hard sell and they should not be in a position to commit to adopting a plan. The funding mechanisms are only possibilities, and they have not endorsed a funding option yet, **GM** said. **AL** said they would come back with a report seeking adoption later. **Mike Talbett (MT)** said the Finance Committee has made innovative strides. No other project has put this kind of money and specific plans on the table. As a result, the Tollway will find it a worthy exercise to invest in and a model for future projects. **DW** agreed that the exercise was innovative and perhaps groundbreaking, especially if the Tollway can use tolling options like indexing and congestion pricing systemwide. **SP** said the Tollway Board should recognize that there are ideas here that are applicable to the entire system and Illinois Route 53/120 should be viewed as part of that system and not a stand-alone project. They need recognition from the Tollway Board that they are interested in moving forward on the project. **Chris Meister (CM)** said because of the working groups' recommendations, the Finance Committee as a whole is in a different position than it was the last time they met with the Tollway Board committee. They are providing local support, part of the rationale for expanding the Tollway system. At the co-chairs' earlier mid-term status presentation before the Tollway Board Customer Service and Planning Committee in May, the Tollway Board asked the co-chairs to go back and work with the Finance Committee to figure out how to pay for a project that calls for a premium price above the standard Tollway project, **CM** said. This time around, the message will be flipped, he said. The Finance Committee has presented systemwide implications for operations, maintenance and the planning and implementation of new projects, not only in Lake County but across the system. **CM** said the co-chairs will explain to the Tollway Board the benefits and show the local commitment and locally driven funding mechanisms. It is a completely different position for the co-chairs and a better one, **SP** and **CM** both agreed. **BL** said after the last Tollway Board meeting it was suggested that the Finance Committee had to quantify the innovations that make the project unique and the local contributions should pay for those innovations. Due to cost refinements, **BL** said the total cost has dropped 13 percent of the overall project budget, and the sum of local contributions considered exceeds the \$325 to \$400 million cost of

the BRAC innovations. **BL** said they are now over-delivering, and that puts them in great position and allows them the flexibility to identify the most appropriate and politically feasible funding strategies.

John Yonan (JY) reminded the Committee of the regional significance of the Illinois Route 53/120 Project and its ability to grow economic development. Cook County built the highway system 70 years ago, and today the Tollway is that leader to stimulate economic development and reduce congestion. The significance for the region has to be stressed, because they cannot afford not to deliver the project due to the future costs of congestion. Having the new facility in place will relieve the region and allow engineers to address local problems as well. **DW** said he felt positive on where they stood.

There was no public comment. The group then adopted a motion to adjourn.