



## Record of Meeting | February 25, 2021

The Illinois State Toll Highway Authority (“Tollway”) held the regularly scheduled Finance, Administration and Operations (“FAO”) Committee meeting on Thursday, February 25, 2021. The meeting was held pursuant to the By-Laws of the Tollway upon call and notice of the meeting executed by Chairman Willard S. Evans, Jr. and posted in accordance with the requirements of the Open Meetings Act, 5 ILCS 120/1, *et seq.*

Due to necessary precautions relating to COVID-19, in accordance with the Gubernatorial Disaster Proclamation and current conditions, and consistent with the Open Meetings Act, it was determined by Chairman Willard S. Evans, Jr. that an in-person meeting of the body was neither practical nor prudent. In compliance with all conditions of Section 7(e) of the Open Meetings Act, 5 ILCS 120/7(e), the Committee meeting was conducted by audio conference. A telephone access number was provided for members of the public to monitor and/or participate in the meeting.

*[Bolded entries indicate issues which may require follow-up to present or report to Directors.]*

## Call to Order / Roll Call

Committee Chair McConnaughay called the meeting to order at approximately 9:45 a.m. She then asked the Board Secretary to call the roll, those Directors present and absent being as follows:

Committee Members Present:	Committee Members Not Present:
Committee Chair Karen McConnaughay	None
Director Alice Gallagher	
Director Scott Paddock	
Director Gary Perinar	
Director James Sweeney	
Other Directors Present:	
Director James Connolly	
Director Stephen Davis	
Director Jacqueline Gomez	
Chairman Willard S. Evans, Jr.	



The Board Secretary declared a quorum present.

## Public Comment

---

Committee Chair McConnaughay opened the floor for public comment. No comment was offered.

## Committee Chair's Items

---

Committee Chair McConnaughay entertained a motion to approve **Committee Chair's Item 1**, the Minutes of the regular FAO Committee meeting held on January 28, 2021, as presented. Director Perinar made a motion to approve the Minutes, seconded by Director Gallagher. Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Committee Chair McConnaughay (5)

Nays: (0)

The motion PASSED.

Having no further items, Committee Chair McConnaughay called on Executive Director José Alvarez.

## Executive Director's Items

---

Executive Director Alvarez introduced Cathy Williams, Chief Financial Officer, to provide the Move Illinois Program Funding Update and an overview of the Tollway's bond issuance. [See attached presentation.](#)

Upon conclusion of the presentation, Executive Director Alvarez noted that the meeting agenda contains 14 items for the Committee's consideration. He then proceeded to the presentation of items for consideration.

## Items for Consideration

---

### Finance

Executive Director Alvarez called on Cathy Williams, Chief Financial Officer, to present to the Committee the following items:



*Item 1: Authorize issuance of \$600 million of Revenue Bonds to finance costs of the Move Illinois Program.*

*Item 2: Approval of the 2020 Retiree Health Insurance Payment in the amount of \$4,133,219.20 to Central Management Services (“CMS”) per the State Employees Group Insurance Act (5 ILCS 375/11).*

Upon conclusion of the presentation of items, Committee Chair McConnaughay entertained a motion to approve placement of **Finance Item 1** on the February Board of Directors meeting agenda with the Committee’s recommendation for approval by the Board. Director Perinar made a motion to approve this item, seconded by Director Gallagher. Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Chair McConnaughay (5)

Nays: (0)

The motion PASSED.

Committee Chair McConnaughay entertained a motion to approve placement of **Finance Item 2** on the February Board of Directors meeting agenda with the Committee’s recommendation for approval by the Board. Director Perinar made a motion to approve this item, seconded by Director Gallagher. Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Chair McConnaughay (5)

Nays: (0)

The motion PASSED.

### **Information Technology**

Executive Director Alvarez called on Joe Kambich, Chief of Information Technology, to present to the Committee the following item:

*Item 1: Award of Contract 20-0181 to NXGN, Inc. for the purchase of Liferay Software Maintenance and Support in an amount not to exceed \$720,720.00 for an initial two-year term and a possible two-year renewal term in an amount not to exceed \$784,080.00 (Tollway Invitation for Bid).*



Upon conclusion of the item presentation, Committee Chair McConnaughay entertained a motion to approve placement of **Information Technology Item 1** on the February Board of Directors meeting agenda with the Committee's recommendation for approval by the Board. Director Perinar made a motion to approve this item, seconded by Director Gallagher. Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Chair McConnaughay (5)

Nays: (0)

The motion PASSED.

### **Facilities & Fleet Operations**

Executive Director Alvarez called on Dave Donovan, Chief of Facilities and Fleet Operations, to present to the Committee the following item:

*Item 1: Award of Contract 19-0162 to J.P. Simons & Co. for the purchase of Electronic Parts in an amount not to exceed \$88,105.00 for an initial two-year term and a possible two-year renewal term in an amount not to exceed \$88,105.00 (Tollway Invitation for Bid).*

Upon conclusion of the item presentation, Committee Chair McConnaughay entertained a motion to approve placement of **Facilities & Fleet Item 1** on the February Board of Directors meeting agenda with the Committee's recommendation for approval by the Board. Director Perinar made a motion to approve this item, seconded by Director Gallagher. Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Chair McConnaughay (5)

Nays: (0)

The motion PASSED.

### **Operations**

Executive Director Alvarez called on Pat Taylor, Chief of Operations, to present to the Committee the following item:



*Item 1: Renewal of Contract 17-0127 with Transitions, N.F.P. (d.b.a. The Printer's Mark) for the purchase of Printing and Mailing Services in an amount not to exceed \$14,000,000.00 (State Use Program).*

Director Connolly inquired if there are assurances that contract workers receive at least the Illinois minimum wage. Ms. Taylor responded that this is her understanding but would take a short time to confirm. Directors and General Counsel discussed making contract approval contingent upon compliance with Illinois minimum wage standards, if not already so included.

Committee Chair McConnaughay entertained a motion to approve placement of **Operations Item 1** on the February Board of Directors meeting agenda with the Committee's recommendation for approval by the Board. Director Perinar made a motion to approve this item contingent upon compliance with Illinois minimum wage standards. The motion was seconded by Director Gallagher. Committee Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Committee Chair McConnaughay (5)

Nays: (0)

The motion PASSED as amended.

## Engineering

Executive Director Alvarez called on Paul Kovacs, Chief Engineering Officer, to present to the Committee the following Engineering items:

*Item 1: Extra Work Order on I-19-4496 to Walsh Construction Company II, LLC for Roadway and Bridge Reconstruction on the Tri-State Tollway (I-294) between Mile Post 30.9 Ramp J from South of I 88 to Mile Post 31.8 North of I-290 in the amount of \$699,000.00, increasing the upper contract limit from \$44,928,265.60 to \$45,627,265.60.*

*Item 2: Acceptance of Proposal from Infrastructure Engineering, Inc., on Contract RR-18-4434, for Supplemental Construction Management Services on the Reagan Memorial Tollway (I-88) and Systemwide in the amount of \$700,000.00, increasing the upper contract limit from \$5,000,000.00 to \$5,700,000.00.*

*Item 3: Acceptance of Proposal from Jacobs Engineering Group, Inc., on Contract I-17-4300, for Supplemental Design Services for Roadway Reconstruction and Widening on the Tri-State Tollway (I-294) from Mile Post 30.5 (Roosevelt Road) to Mile Post 32.3 (St. Charles Road) in the*



amount of \$2,896,000.00, increasing the upper contract limit from \$41,245,000.00 to \$44,141,000.00.

*Item 4: Award of Contract 20-0022RRR to Thelen Materials, LLC for the purchase of Roadway Abrasives in an amount not to exceed \$334,095.00 for an initial two-year term and a possible two-year renewal term in an amount not to exceed \$334,095.00 (Tollway Invitation for Bid).*

*Item 5: Award of Contract 18-0008RR to Production Distribution Companies, Inc. for the purchase of Aluminum Light Poles, Arms, and Frangible Bases in an amount not to exceed \$653,049.95 for an initial two-year term and a possible three-year renewal term in an amount not to exceed \$1,060,051.58 (Tollway Invitation for Bid).*

Upon conclusion of the presentation of items, Committee Chair McConnaughay entertained a motion to consolidate for consideration and action Engineering Items 1 thru 5. Director Perinar made a motion to consolidate these items, seconded by Director Gallagher. Committee Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Committee Chair McConnaughay (5)

Nays: (0)

The motion PASSED.

The motion to consolidate these items having carried, Committee Chair McConnaughay entertained a motion to approve placement of **Engineering Items 1 thru 5** on the February Board of Directors meeting agenda with the Committee's recommendation for approval by the Board. Director Perinar made a motion to approve these items, seconded by Director Gallagher. Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Committee Chair McConnaughay (5)

Nays: (0)

The motion PASSED.

## Legal



Executive Director Alvarez requested that consideration of Legal Items 3 and 4 be deferred until the Executive Session of the full Board of Directors meeting. He then called on Kathleen R. Pasulka-Brown, General Counsel, to present the remaining Legal Items to the Committee:

*Item 1: Intergovernmental Agreement with Cook County for work associated with the Central Tri-State Project (I-294) and the Plainfield Road Bridge. Cost to the Tollway: \$0.*

*Item 2: Addendum to an Intergovernmental Agreement with the Metropolitan Water Reclamation District for the conveyance of a temporary easement. Cost to the Tollway: \$225,000.00.*

*Item 3: Settlement Agreement. Cost to the Tollway: As discussed in Executive Session.*

*Item 4: Settlement Agreement. Cost to the Tollway: As discussed in Executive Session.*

Upon conclusion of the presentation of items, Committee Chair McConnaughay stated that without objection, consideration of Legal Items 3 and 4 will be deferred.

Committee Chair McConnaughay entertained a motion to approve placement of **Legal Item 1** on the February Board of Directors meeting agenda with the Committee's recommendation for approval by the Board. Director Perinar made a motion to approve this item, seconded by Director Gallagher. Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Committee Chair McConnaughay (5)

Nays: (0)

The motion PASSED.

Committee Chair McConnaughay then entertained a motion to approve placement of **Legal Item 2** on the February Board of Directors meeting agenda with the Committee's recommendation for approval by the Board. Director Perinar made a motion to approve this item, seconded by Director Gallagher. Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Chair McConnaughay (5)

Nays: (0)

The motion PASSED.



## Adjournment

---

There being no further Committee business, Committee Chair McConnaughay entertained a motion to adjourn. Director Perinar made a motion to adjourn, seconded by Director Gallagher. Chair McConnaughay asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Perinar, Director Gallagher, Director Paddock, Director Sweeney, Chair McConnaughay (5)

Nays: (0)

The motion PASSED.

The Meeting was adjourned at approximately 10:43 a.m.

A handwritten signature in cursive script that reads "Christi Regnery".

Minutes taken by: \_\_\_\_\_

Christi Regnery  
Board Secretary  
Illinois State Toll Highway Authority



A nighttime photograph of a multi-lane highway with light trails from cars. A streetlight with two glowing lamps is in the foreground on the left. The sky is dark blue with some clouds. In the background, there are some buildings and trees.

# *Move Illinois* Program Funding Update Bond Basics

February 25, 2021

Cathy Williams



# Topics

**Illinois Tollway bonds**

***Move Illinois* – Funding update**

**Appendix**

**Types of bonds**

**Key features of bonds**

**Bond value-measuring yield**

**Credit risk and bond ratings**

**Definitions**



# Illinois Tollway Bonds

<b>Principal O/S</b>	\$6,416,725,000
<b>Type</b>	Government agency revenue bonds
<b>Security</b>	All senior lien
<b>Maturities</b>	1-24 years (statutory limitation of 25 years)
<b>Interest</b>	All fixed rate (no risks related to variable rate)
<b>Ratings</b>	AA- (Fitch), A1 (Moody's), AA- (S&P)
<b>Outlook</b>	Stable from Fitch; negative from Moody's and S&P

**Interest exempt from federal income tax, but subject to state income tax**



# Funding Update – Move Illinois Program

(All \$ in Billions)	Original Plan (Aug 2011)	CURRENT PLAN		
	<u>2012-26</u>	<u>2012-19</u>	<u>2020-27</u>	<u>Total</u>
Program Costs	\$12.1	\$6.3	\$7.8	\$14.1
Funding Sources				
•Net Revenues after Debt Service	\$7.3	\$3.0	\$5.3	\$8.3
•Bond Proceeds	<u>\$4.8</u>	<u>\$3.3</u>	<u>\$2.5</u>	<u>\$5.8</u>
Total Funding	\$12.1	\$6.3	\$7.8	\$14.1

On April 27, 2017, the Tollway's Board of Directors approved a modification of the Move Illinois Program primarily related to the Central Tri-State, increasing the Program's cost to \$14.3 billion. The Program's currently projected cost is \$14.1 billion.



# Cashflow Projections 2012 - 2027

<i>(all #s in \$millions)</i>	<u>2012-2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-2027</u>	<u>Totals 2012-2027</u>
Beginning Balance for Capital	\$366	\$884	\$890	\$525	\$455	\$366
Toll Revenues <i>(incl. evasion recovery)</i>	\$9,228	\$1,240	\$1,395	\$1,440	\$7,972	\$21,275
Inv. Income/Concessions/Misc.	670	30	20	26	141	887
<b>Total Revenues</b>	<b>\$9,899</b>	<b>\$1,270</b>	<b>\$1,415</b>	<b>\$1,466</b>	<b>\$8,113</b>	<b>\$22,162</b>
(Operating Expenses)	(2,442)	(365)	(380)	(395)	(2,224)	(5,805)
<b>Net Revenues</b>	<b>\$7,456</b>	<b>\$905</b>	<b>\$1,035</b>	<b>\$1,071</b>	<b>\$5,889</b>	<b>\$16,357</b>
(Net Debt Service)	(2,831)	(430)	(469)	(498)	(2,857)	(7,085)
<b>Available after Debt Service</b>	<b>\$4,626</b>	<b>\$475</b>	<b>\$566</b>	<b>\$573</b>	<b>\$3,032</b>	<b>\$9,272</b>
Bond Proceeds	3,310	625	603	567	803	5,908
Move Illinois Program	(6,330)	(1,094)	(1,534)	(1,209)	(3,947)	(14,114)
Other Capital Expenditures	(1,088)	-	-	-	-	(1,088)
<b>Net Cashflow</b>	<b>\$518</b>	<b>\$6</b>	<b>(\$365)</b>	<b>(\$70)</b>	<b>(\$111)</b>	<b>(\$22)</b>
<b>Ending Balance for Capital</b>	<b>\$884</b>	<b>\$890</b>	<b>\$525</b>	<b>\$455</b>	<b>\$344</b>	<b>\$344</b>

On April 27, 2017, the Tollway's Board of Directors approved a modification of the Move Illinois Program primarily related to the Central Tri-State, increasing the Program's cost to \$14.3 billion. The Program's currently projected total cost is \$14.1 billion.



# Bond Issuance for *Move Illinois* Program

Year	Bond Par Amount	Authorized?
2012-2019	\$3,100,000,000	Yes
2020	\$500,000,000	Yes
2021	\$600,000,000	No
2022	\$600,000,000	No
2023	\$450,000,000	No
2024	<u>\$400,000,000</u>	No
<b>TOTAL</b>	<b>\$5,650,000,000</b>	



# Bond Issuances to Fund Portions of *Move Illinois*

<u>Series</u>	<u>Issuance Date</u>	<u>Par Amount</u>	<u>Proceeds at Closing for Move Illinois*</u>	<u>Yield to Call</u>	<u>Yield to Maturity</u>
2013A	5/16/2013	\$500,000,000	\$522,963,965	3.44%	4.14%
2014B	6/4/2014	\$500,000,000	\$516,211,135	3.77%	4.33%
2014C	12/4/2014	\$400,000,000	\$423,786,846	3.41%	4.07%
2015A	7/30/2015	\$400,000,000	\$414,159,383	3.80%	4.33%
2015B	12/17/2015	\$400,000,000	\$422,000,298	3.58%	4.19%
2016B	6/16/2016	\$300,000,000	\$341,519,175	2.73%	3.68%
2017A	12/6/2017	\$300,000,000	\$332,133,552	3.06%	3.85%
2019A	7/11/2019	\$300,000,000	\$336,181,148	2.83%	3.65%
2020A	12/17/2020	\$500,000,000	<u>\$623,409,789</u>	<u>1.83%</u>	<u>3.16%</u>
Totals		\$3,600,000,000	\$3,932,365,290	3.17% **	3.95% **

\* Does not include construction account investment earnings (such amounts not material).

\*\* The totals for "Yield-to-Call" and "Yield-to-Maturity" are averages weighted by "Proceeds at Closing for Move Illinois."



# Debt Service Schedule *(including on expected 2021 bond issuance)*

Fiscal Year	Principal	Interest	Total Debt Service
2020	132	313	445
2021	141	341	482
2022	148	349	497
2023	155	342	497
2024	163	334	497
2025	188	326	514
2026	231	317	548
2027	243	305	548
2028	255	293	548
2029	268	280	548
2030	281	267	548
2031	302	253	555
2032	318	237	555
2033	335	221	555
2034	354	201	555
2035	374	181	555
2036	393	162	555
2037	413	142	555
2038	433	122	555
2039	448	100	548
2040	380	78	458
2041	308	59	367
2042	268	44	312
2043	274	31	305
2044	209	17	226
2045	135	7	142

- ✓ Includes existing debt service plus debt service on projected new money issuance of \$300 million in May 2021 and \$300 million in September 2021.\*
- ✓ Debt service due January 1 of a given calendar year is included in the prior fiscal year, per the Trust Indenture.
- ✓ All bonds are fixed rate bonds. There are no derivatives or credit enhancements associated with the bonds.
- ✓ Interest expense does not net out anticipated federal subsidies related to Build America Bonds, expected to total approximately \$13.6 million in each of 2020/2021.

\* Note: This schedule does not include bond issuances planned beyond 2021.





# APPENDIX



# Types of Bonds

**A bond is a debt security used to borrow funds from investors, which are repaid pursuant to the terms of the bond**

## **Bond issuers may be**

- Governments, government agencies and corporations
- Special purpose trusts
- Non-profit organizations
- Combinations of above

## **Security for bonds**

- General obligation
- Revenue bonds
- Asset-backed



# Reasons to Issue Bonds

**Fund capital expenditures/new programs**

**Fund capitalized interest**

**Refinance existing debts**

- Reduce debt service
- Reduce risk related to existing debt
- Exit bond limitations/modify covenants



# Key Features of a Bond

**Par amount**

**Maturity**

**Default risk**

**Taxability of interest**

**Call provision (ability to pay off bonds early)**

**Coupon interest rate (fixed, synthetic fixed, variable)**

**Price and yield**

**Premium or discount**

*\* Definitions in Appendix*



# Bond Value

## Risk and return risk-free rate (Treasury securities)

- Credit risk
- Tax risk
- Liquidity risk

May impact the return (i.e. investment yield) required by bond purchasers

\* Definitions in Appendix



# Bond Ratings

Assigned by credit rating agencies

Indicate level of payment risk

	<u>Investment Grade</u>	<u>Non-Investment Grade</u>
<b>Moody's</b>	Aaa Aa A Baa	Ba B Caa Ca C
<b>Fitch</b>	AAA AA A BBB	BB B CCC CC C D
<b>S&amp;P</b>	AAA AA A BBB	BB B CCC CC C D

Additional modifiers - 1/2/3 for Moody's and +/- for Fitch and S&P

Outlook - Indication of possible change in rating during the next 1-2 years



# Credit Risk and Bond Ratings - Factors

## Financial performance

- Coverage ratios, such as debt service coverage
- Debt ratio
- Budget/financial management

## Asset condition and management

## Bond contract provisions

- Senior versus subordinated debt
- Secured versus unsecured debt
- Guarantee provisions
- Sinking fund provisions
- Debt maturity



# Credit Risk and Bond Ratings – Other Factors

**Income stability**

**Regulatory environment**

**Potential liability**

**Accounting policies**





# Definitions

**Par amount:** Face amount of a bond; paid at maturity

**Coupon interest rate:** Rate of interest applied to the par value

**Maturity:** Years until bond becomes due; payable to the bondholder

**Bond price:** Amount paid for a bond

**Premium:** When the bond price is more than its par value

**Discount:** When the bond price is less than its par value

**Yield:** Annual rate of return on a bond, based on the bond price, its rate and the length of time the bond is held

**Taxable interest:** Interest from a bond that is not exempt from federal and/or state income tax



# Definitions

**Call provision:** Provision for the Issuer to redeem a bond before the stated maturity at a specified price, usually at or above par

**Default risk:** Risk that issuer fails to make interest or principal payments on a bond

**Risk-free interest rate:** Interest or rate of return of a bond with zero risk over a given period of time, e.g. U.S. Treasury bills

**Credit risk:** The bondholder weighs the risk of the issuer's failure to meet the bond obligation

**Tax risk:** Risk that the value of a bond can be impacted by changes to the tax code

**Liquidity risk:** Risk that a bond cannot be traded quickly enough in the market to prevent a loss or make a profit

Source: Municipal Securities Rulemaking Board (MSRB)



# Principal Members of Financing Team

## Financial Advisor(s)

- Advise with structuring plan of finance
- Assist with credit presentation materials
- Assure fair value at pricing

## Bond Counsel

- Interprets laws and assists in the legal structuring of bond issue
- Drafts bond documents and Board resolutions
- Opines that bonds are legally issued

## Other

- Issuer's counsel, underwriters' counsel, credit enhancers (if applicable), and rating agencies

## Trustee

- Receives proceeds of bond issue
- Invests and disburses funds as set forth in bond documents
- Monitors continuing disclosure and administers repayment of debt

## Senior Managing Underwriter

- Leads bond marketing process to investors
- Coordinates sale orders from syndicate of co-managers
- Provides secondary market support for bonds



THANK YOU