

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF THE
FINANCE ADMINISTRATION OPERATIONS
COMMITTEE MEETING**

January 18, 2012

The Illinois State Toll Highway Authority held a Finance Administration Operations (FAO) Committee Meeting on Wednesday, January 18, 2012 at approximately 8:30 a.m. at the Central Administration Building in Downers Grove, Illinois.

Directors in attendance were as follows:

Committee Chair Mark Peterson Director David Gonzalez

Director Jim Banks (teleconference) Chair Paula Wolff

Committee Chair Peterson called the meeting to order and requested a motion to allow Director Banks to participate in the meeting via conference call. He was prevented from physically attending because of an employment matter which is one of the approved reasons for such participation. Director Gonzalez made a motion to allow Director Banks' participation; seconded by Committee Chair Peterson. The motion was approved unanimously.

Committee Chair Peterson then opened the floor to public comment. No public comment was offered.

Committee Chair Peterson called for a motion to approve the minutes of the Finance Administration Operations Committee meeting held on Wednesday, December 14, 2011. Director Banks made the motion to approve the minutes; seconded by Director Gonzalez. The motion was approved unanimously.

Executive Director Kristi Lafleur introduced Lieutenant Luis Gutierrez, Acting Commander of the State Police as Captain Jesernik's replacement (retired).

Executive Director Kristi Lafleur introduced Michael Stone, Chief of Staff, to provide an overview of the proposed FAO Committee Work Plan. She proposed that the FAO address the strategic issues outlined in the work plan every other month to give the staff sufficient time to prepare materials on the various issues. She noted that other Board committees will also follow a bi-monthly schedule. Ms. Lafleur also noted that both the FAO and Strategic Planning Committees will review issues related to contract and vendor diversity and therefore a joint meeting of those committees will be planned in the coming months.

Mr. Stone highlighted the following strategic decisions for the committee to consider on the Work Plan: cash handling procedures, contractor/vendor diversity, workforce recruitment and diversity, hiring process, procurement process, financial reporting/capital financing and debt management, operating reserve/insurance, enterprise resource planning (ERP) and updating financial systems. Description of the strategic issues and the related decision-making timelines are shown in the [attached presentation](#).

Ms. Lafleur noted that, due to the Tollway's plan to issue bonds during the second quarter of this year, the committee will need to address debt management issues early this year.

Committee Chair Peterson asked whether the committee had any questions or concerns about the Work Plan. No additional input was offered. Ms. Lafleur encouraged committee members to forward additional suggestions for the Work Plan to Tranece Artis, Board Secretary.

Committee Chair Peterson called on Mike Colsch, Chief of Finance, to present the following Finance items:

Item 1: Approval of the Retiree Health Insurance Payment to CMS.

Committee Chair Peterson asked how CMS determines the appropriate payment amount for the Tollway. Mr. Colsch responded that CMS produces a matrix of premiums intended to reflect the cost of providing health coverage in total to those retirees. The matrix includes factors such as the type of coverage (e.g., HMO, PPO) and the number of dependants. The state applies that matrix to each of the 921 Tollway retirees based on his/her particular circumstances and the Tollway pays the pro-rata portion based on the retirees' time at the Tollway.

Committee Chair Peterson asked about the time it takes for an employee to become vested in the retirement program. Mr. Colsch responded that employees are vested in the retirement program after 8 years of employment. With 8 years of service, a retiree would be required to pay 60% of the State healthcare premium cost. The portion of the premium cost that must be paid by the retiree is reduced by 5% with each year of service. A retiree who has 20 years or more of employment with the State, does not pay any portion of the healthcare premium cost for him/herself. A different schedule of payments applies to retiree's dependants.

Item 2: Award of Contract 11-0195 with RSUI Indemnity Company and Chubb Insurance Company through Mesirow Insurance Services for the Property Insurance Program for the combined annual premium of \$746,114 (Tollway RFP).

Director Peterson asked whether the Tollway has the appropriate deductible amount (\$1 million) given the fact that the policy has not been used within the last year. Mr. Colsch confirmed that the policy has not been utilized because all of the settlements have either been for amounts lower than the current deductible and/or have been covered by other carriers.

Ms. Lafleur added that a review of the insurance procurement process is a part of the FAO Work Plan and that adjustments to the deductible level could be discussed in detail at that time. Mr. Colsch indicated that although the Tollway received a limited number of bids for this service, the Tollway's premium compares favorably with other notable agencies nationwide (e.g., New Jersey, Pennsylvania).

Chair Wolff asked how the current premium compares to prior years. Mr. Colsch indicated that, although the total premium cost has increased this year by 9 percent, the increase is not due to an increased premium rate but rather due to an increase in the insured value of the Tollway which is attributed to higher revenue projections and property/asset value.

Director Gonzalez asked for clarification on the budget allocation for the premium noted on the Item Summary Sheet. Mr. Colsch indicated that 2 months of the premium costs will be covered in the 2013 budget due to the timing of the premium due dates.

Item 3: Increase of initial term compensation limit with Bank of New York Mellon Trust Company for Bond Trustee Services by \$8,000 from \$110,000 to \$118,000 and renew for a one-year period of May 1, 2012 to April 30, 2013 in the amount of \$37,000 (Tollway RFP).

Committee Chair Peterson asked whether the Bank of New York Mellon Trust Company is financially stable. **Mr. Colsch responded yes but indicated that he did not have the bank's current rating readily available but committed to forwarding that information to the Director.**

Chair Wolff asked whether more than one trustee could be used for a bond series. Mr. Colsch responded that the Tollway is required to have the same trustee for all bond series under one master trust indenture and it is likely that future bond issues will be under the current indenture.

Chair Wolff asked for clarification on why staff prefers not to change trustees. Mr. Colsch responded that staff prefers not to switch trustees frequently because it is a large process. The complexity of the process is attributed to the large number of bond series involved. He also indicated that it is not uncommon for issuers in other industries to keep the same trustee throughout the duration of the bond or 25 years. He added, however, that the Tollway's procurement process mandates a 10 year maximum on all Tollway contracts.

Director Gonzalez asked whether trustee costs related to the anticipated \$200 million bond issue by the Tollway this year is covered in this renewal. Mr. Colsch responded that the \$37,000 requested for trustee services is paid out of the Maintenance and Operations Budget and would cover trustee costs related to the current series and the proposed 2012 bond series.

Director Gonzalez made a motion for approval of Finance Items 1-3; seconded by Director Banks. The motion was approved unanimously.

Committee Chair Peterson called on Shana Whitehead, Acting Chief of Business Systems, to present the following Business Systems item:

Item 1: Award of Contract 11-0054RR to Craftsman Custom Metals for the manufacture of Automatic Coin Machine (ACM) cabinets, in the amount of \$89,934.00. (Tollway IFB)

Director Gonzalez made a motion for approval of Business Systems Item 1; seconded by Director Banks. The motion was approved unanimously.

Committee Chair Peterson called on John Donato, Chief of Procurement, to present the following Procurement items:

Item 1: Award of Contract 12-0061 to CDW-G for the purchase of Microsoft Software Assurance/Select Agreement Maintenance, in an amount not to exceed \$97,295.29 (CMS Master Contract).

Item 2: Award of Contract 12-0003 to Prairie International Inc. for the purchase of Snow Plow Trucks, in an amount not to exceed \$1,601,094.00 (CMS Master Contract).

Item 3: Renewal of Contract 10-0169 to Kent Manufacturing for the purchase of Reclosable (Velcro) Fasteners, in an amount not to exceed \$110,000.00 (CMS for Tollway Contract).

Item 4: Renewal of Contract 11-0059 to Gillie Hyde Ford for the purchase of Ford Auto and Light Truck Parts, in an amount not to exceed \$170,000.00 (CMS for Tollway Contract).

Item 5: Renewal of Contract 10-0175 to Great Northern Lumber Inc. for the purchase of Lumber and Plywood, in an amount not to exceed \$25,000.00 (CMS for Tollway Contract).

Chair Wolff made a motion to approve Procurement Items 1-5; seconded by Director Gonzalez. The motion was approved unanimously.

Item 6: Renewal of Contract 08-0001 to Meade Electric Company for the purchase of Traffic & Security Monitoring and Management System Maintenance, in an amount not to exceed \$900,000.00. (Tollway RFP)

Item 7: Increase of Contract 11-0005 to Civiltech Engineering, Inc., Santacruz Associates and Hanson Professional Services, Inc. for the purchase of Land Acquisition Services, increasing the contract dollar limit by \$150,000.00 from \$300,000.00 to \$450,000.00 (Tollway RFP).

Item 8: Increase of Contract 11-0075 to Oak Brook Mechanical Services, Inc. for the purchase of Replacement of Boilers, Chillers, Switches and Louvers, increasing the contract upper limit by \$65,000.00 from \$1,277,000.00 to \$1,342,000.00 (Tollway IFB).

Item 9: Increase of Contract 08-0051 to Meridian Systems for the purchase of Web Based Project Management, increasing the contract upper limit by \$68,400.00 from \$2,631,701.00 to \$2,700,101.00 (Sole Source).

Item 10: Award of Contract 12-0044 to Cartegraph Systems Inc. for the purchase of Cartegraph Software Maintenance, in an amount not to exceed \$41,557.00 (Sole Source).

Director Gonzalez commented that the budget detail for Procurement Item 6 indicates that approval of that item will cause the Tollway to be over budget in 2012 for “Contracted Outside Services”. He asked how this overage would be accommodated within the 2012 budget and whether the Board needs to approve adjustments to the budget in this and other instances. Mr. Colsch responded that there is a budget transfer

process in place for management to make the adjustment. Those adjustments are usually made in the second half of the year.

Ms. Lafleur suggested that staff develop a clearer method for showing the budget detail when the item is expensed over multiple years.

Director Gonzalez asked about the Program Reserve Fund referenced in the budget detail of Procurement Item 9. Mr. Colsch responded that the procurement was made for a capital project and that the Program Reserve Fund is a budgetary reserve in the Congestion Relief Program (capital program). Upon review and approval, this fund is used to capture actual and anticipated project savings from projects/contracts that have been closed or are in the close-out process. It is also used to capture excess budget estimates from projects or contracts upon an award. Reductions in this reserve are used for shortfalls and unanticipated needs such as the overage in Procurement Item 9.

Committee Chair Peterson asked whether there were additional questions or comments about these items. Mr. Donato clarified that the vendors for Procurement Items 6 and 8 are not BEP vendors as indicated on the Item Summary sheets but they have committed to BEP goals for those procurements.

Director Gonzalez made a motion to approve Procurement Items 6-10; seconded by Director Banks. The motion was approved unanimously.

Committee Chair Peterson called on Paul Kovacs, Chief Engineer, to present the following Engineering items:

Item 1: Award of Contract No. RR-10-5613 to Herlihy Mid Continent Company for Bridge Rehabilitation on the Tri-State Tollway (I-80/I-294) from Milepost 0.0 (I-94/IL Route 394) to Milepost 5.3 (167th Street) and the Tri-State Tollway (I-94) at Milepost 15.2 (Atkinson Road) in the amount of \$561,821.01.

Item 2: Award of Contract No. RR-10-5614 to William Charles Construction Company/Curran Contracting Company (JV) for Roadway and Bridge Rehabilitation on the Reagan Memorial Tollway (I-88) from Milepost 76.1 (IL Route 251) to Milepost 91.4 (Annie Glidden Road) in the amount of \$23,608,676.70.

Committee Chair Peterson asked whether the 20 percent DBE goal set for Items 2 and 3 is sufficient given the fact that these are effectively sole source contracts. Giraldo Gustavo, Chief of Diversity, responded that the DBE goal is set by the Diversity team based on the availability of qualified DBE firms. Based on the availability, the Diversity team determined that the 20 percent DBE goal was appropriate for both Items.

Item 3: Award of Contract No. RR-10-5615 to William Charles Construction Company/Curran Contracting Company (JV) for Roadway and Bridge Rehabilitation on the Reagan Memorial Tollway (I-88) from Milepost 91.4 (Annie Glidden Road) to Milepost 113.6 (IL Route 56) in the amount of \$30,739,235.98.

Committee Chair Peterson asked whether William Charles Construction has the capacity to do both projects – described in Items 2 and 3. Mr. Kovacs responded that the William Charles Construction received certification from IDOT indicating that it has unlimited capacity and therefore able to fulfill both contracts simultaneously. He added that

generally the vendor's capacity to complete the project is a part of the bid evaluation process.

Item 4: Award of Contract No. RR-10-5620 to Allied Landscaping Corporation for Landscape and Improvements on the Tri-State Tollway (I-294 and I-94), from Milepost 30.5 (Roosevelt Road) to Milepost 52.0 (Sanders Road Overpass); Milepost 0.0 (Wisconsin State Line) to Milepost 25.0 (Lake-Cook County Road); and the Jane Addams Tollway (I-90), from Milepost 49.25 to Milepost 49.5 (at IL Route 72) and Milepost 68.0 to Milepost 68.5 (at I-290/IL Route 53) in the amount of \$432,070.50.

Item 5: Award of Contract No. RR-10-5622 to Copenhaver Construction, Inc. for Landscape and Improvements on the Tri-State Tollway (I-294) from Milepost 12.0 (Cicero Avenue) to Milepost 30.0 (Cermak Plaza 35), and on the Reagan Memorial Tollway (I-88) from Milepost 80.2 (Locust Road) to Milepost 133.4 (Highland Avenue) in the amount of \$347,325.20.

Director Gonzalez asked whether further unbundling of contracts described in Engineering Items 2 and 3 would have resulted in more bidders and therefore a better price. He added that the inability of smaller firms to obtain bonding for large contract amounts could have contributed to the low number of bidders for those contracts. Mr. Kovacs responded that he is confident that the Tollway received a good price for Items 2 and 3. In comparison to similar bids for the central Tri-State project, where there were many more bidders, the Tollway received lower pricing per unit for Items 2 and 3.

Mr. Kovacs added that he did not think that further unbundling of this contract would have resulted in more bidders. He indicated that William Charles Construction and Curran have geographical advantages over other potential vendors for this contract because their asphalt plants are located near the project site. Other firms would ultimately have to purchase the asphalt from William Charles Construction and deliver it to the project site or they would have to truck the materials in from other locations. Either of those options would add substantially to the vendors' cost to do business and resulted in higher bids.

Director Gonzalez also asked whether staff could specify how the DBE goals will be met for each contract on the Item Summary Sheet, i.e., what is the anticipated performance for African-American contractors and subcontractors, Women contractors and subcontractors, etc.

He added that Tollway studies indicate that 11 percent of the vendors/contractors available for this work are owned by African-Americans but only 3-4 percent of the Tollway contracts have gone to African-American vendor/contractors.

Director Gonzalez asked whether there was an opportunity to unbundle the landscaping contract (Engineering Item 4) based on the two separate locations noted on the Item Summary Sheet to attract more bidders. Mr. Kovacs responded that the project locations were combined to attract more competition due to the higher contract award amount.

Director Peterson asked how DBE eligible firms are informed of the Tollway's contracting opportunities. Mr. Kovacs responded that, in addition to advertisement notices on the Tollway's website and the Procurement Bulletin Board, the Tollway distributes notices directly to 9

assist agencies. He also indicated that vendors can sign-up to receive notices from the Procurement Policy Board when contracting opportunities are posted.

Director Banks made a motion to approve Items 1-5; seconded by Director Gonzalez. The motion was approved unanimously.

At that point, Director Banks informed the committee that he needed to end his participation in the committee meeting via conference call to attend to an employment matter.

Item 6: Acceptance of Proposal from Omega & Associates, Inc. on Contract I-11-4000 for Construction Management for the Jane Addams Memorial Tollway (I-90) at Milepost 46.4 (IL Route 47 Interchange) in the amount \$3,498,813.60.

Item 7: Acceptance of Proposal from IE Consultants, Inc. on Contract RR-10-5613 for Construction Management for Bridge Rehabilitation on the Tri-State Tollway (I-294) from Milepost 0.0 (IL Route 394) to Milepost 5.3 (167th Street) in the amount of \$244,717.48.

Item 8: Acceptance of Proposal from ESI Consultants, Ltd. on Contract I-11-5624 for Construction Management for Roadway Reconstruction and Widening on the Reagan Memorial Tollway (I-88) from Milepost 114.2 (Deerpath Road) to Milepost 113.3 (IL Route 56) in the amount of \$1,060,478.36.

Item 9: Acceptance of Proposal from Delcan Corporation on Contract RR-11-5644 for Infrastructure Services on the Jane Addams Memorial Tollway for Transit and Supporting Highway Infrastructure Study in the amount of \$782,226.51.

Director Gonzalez asked why the dollar amounts for the other bidders were not noted on the Item Summary Sheet for Engineering Item 7. Mr. Kovacs responded that, for most professional service contracts in Engineering, vendors are selected using the Professional Services Bulletin (PSB) method of solicitation. For PSB's, vendors are selected primarily based on technical criteria, not price. Once the vendor is selected, the Tollway negotiates the price with the selected vendor.

Director Gonzalez made a motion to accept the proposals; seconded by Chair Wolff. The motion was approved unanimously.

Item 10: Partial Release of Retainage on Contract No. I-09-5588 to Plote Construction, Inc. for Roadway and Bridge Rehabilitation on the Jane Addams Memorial Tollway (I-90) from Milepost 54.18 (Elgin Plaza 9) to Milepost 78.07 (Des Plaines River Road) by \$1,238,445.34 from \$1,632,836.94 to \$394,391.60.

Item 11: Partial Release of Retainage on Contract No. RR-10-5617 to William Charles Construction Company, LLC/Rock Road Companies, Inc. (JV) for Roadway and Bridge Rehabilitation on the Jane Addams Memorial Tollway (I-90) from Milepost 17.0 (Newburg Road) to Milepost 45.0 (Sandwald Road) by \$1,214,779.59 from \$1,258,379.59 to \$43,600.

Director Gonzalez made a motion to accept the proposal; seconded by Chair Wolff. The motion was approved unanimously. Committee Chair Peterson called on Elizabeth Looby, Acting General Counsel, to present the following Legal items:

Item 1: A Second Intergovernmental Agreement Addendum with the University of Illinois. Cost to the Tollway: \$250,000.

Item 2: A First Amendment to the Intergovernmental Agreement with the Regional Transportation Authority. Cost to the Tollway: \$0.

Item 3: A Workers Compensation Settlement – Walter Smith. Cost to the Tollway: \$375,000.

Item 4: A Personal Injury Settlement – Nicholas Conrad v. ISTHA. Cost to the Tollway: \$30,000.

Item 5: Expired Contracts Payments Resolution. Cost to the Tollway: \$0

Director Gonzalez made a motion to approve Legal Items 1, 2, 4, and 5 for the consent agenda and to defer discussion of Legal Item 3 for discussion during the Executive Session of the Board Meeting on January 26; seconded by Chair Wolff. The motion was approved unanimously.

There being no further business, Committee Chair Peterson requested a motion to adjourn. Motion to adjourn was made by Director Gonzalez; seconded by Chair Wolf. The motion was approved unanimously.

Meeting adjourned at approximately 10:00 a.m.

Minutes taken by: _____

Tranece Artis
Board Secretary
Illinois State Toll Highway Authority



**Finance Administration
Operations Committee
Workplan**

January 2012

FAO Committee Workplan

Key Decisions	Decision-Making Timeframe		
	1-6 months	6-12 months	12+ months
Cash handling procedures	X		
Contractor/vendor diversity (Joint discussion: FAO and Strategic Planning)	X		
Workforce recruitment and diversity	X		
Hiring process		X	
Procurement process		X	

FAO Committee Workplan

Key Decisions	Decision-Making Timeframe		
	1-6 months	6-12 months	12+ months
Financial reporting/ capital financing and debt management		X	
Operating reserve/insurance		X	
Enterprise Resource Planning (ERP) and updating financial systems			X

FAO Committee: Workplan Detail

Key Decisions	Likely Actions
Cash handling procedures	<ul style="list-style-type: none"> • System vulnerabilities • Industry best practices • Current initiatives to address and protocol changes • Additional recommendations
Contractor/vendor diversity	<ul style="list-style-type: none"> • Joint session of FAO Committee and Strategic Planning Committee • Evaluate DBE Program, Mentor/Protégé Program and ECP Program • Explore extending Mentor/Protégé Program to Construction and Technical Assistance Program • Strategies for unbundling
Workforce recruitment and diversity	<ul style="list-style-type: none"> • Review affirmative action plan and general diversity statistics • Review African-American and Hispanic employment plans • Evaluate outreach efforts and recruiting tools
Hiring process	<ul style="list-style-type: none"> • Review of Rutan hiring process • Review/approve revised Tollway hiring guidelines • Evaluate electronic application processes

FAO Committee: Workplan Detail (cont.)

Key Decisions	Likely Actions
<p>Procurement</p>	<ul style="list-style-type: none"> • Streamlining efforts • Board approval thresholds • CMS master contracts and approvals
<p>Financial reporting/ capital financing and debt management</p>	<ul style="list-style-type: none"> • Format/frequency of financial reports • Monitoring and reporting of multi-year capital plan(s) • Underwriting, financial advisory services and other financing services • Hedging interest rate risk • Monitoring/restructuring of synthetic fixed rate portfolio • Debt management guidelines
<p>Operating reserve/insurance</p>	<ul style="list-style-type: none"> • Optimal levels and guidelines for establishing • Review process • Constraints
<p>Enterprise Resource Planning (ERP) and updating financial systems</p>	<ul style="list-style-type: none"> • Existing systems • Required short-term actions/solutions • Expectations/timeline for replacement system(s) • Procurement strategies