

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

April 18, 2012

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

Directors Present:

Committee Chair Mark Peterson

Director Jim Banks

Director David Gonzalez

Chair Paula Wolff

Committee Chair Peterson called the meeting to order and opened the floor for 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 and Executive Session held on Wednesday, March 14, 2012. Director Banks made the motion to approve the minutes; seconded by Director Gonzalez. The motion was approved unanimously.

Streamlining the Procurement Process Presentation

Executive Director Kristi Lafleur introduced Michael Stone to give a quick review of the Finance Administration Operations Committee Work Plan as shown in the [attached presentation](#). Ms. Lafleur then

introduced John Donato, Chief of Procurement, to give a presentation on the need to streamline the procurement process including: a review of current internal implementation efforts, explanation of contract types and recommendation for delegation of routine commodity purchase approvals to staff as shown in the [attached presentation](#).

Donato indicated that longer contract terms in lieu of multiple contract renewals are attractive because it will lessen the burden on a long and sometimes complicated procurement approval process. He added that risks associated with longer contract terms are mitigated by including termination clauses which still give the Tollway the flexibility to terminate a contract upon 30 days written notice. Ms. Lafleur added that currently Tollway contracts are structured with one 3-year term and two 1-year renewal options. It takes approximately 6 months to process each of the contract renewals. Changing the contract term structure to a 5 year term with no renewal options will save approximately one year in processing time. She also indicated that all of these contracts will continue to go through a competitive bid process.

Director Peterson asked whether the Tollway has exercised the termination clause in any of its contracts to date. Donato responded that the clause has not been exercised by the Tollway during his tenure over the last 2 ½ years.

Chair Wolff asked what is the argument against having longer contract terms. Director Gonzalez responded that longer contract terms could deter some vendors from bidding because of the uncertainty associated with the termination clause. Ms. Lafleur added that the termination clause is included in the current shorter term contracts.

Chair Wolff asked what percentage of contracts processed by Tollway Procurement are led by Central Management Services (CMS). Donato

responded that approximately 75 percent of Tollway procurements are led by CMS. Ms. Lafleur added that although Tollway-led procurements represent a smaller number of procurements; the dollar value on those procurements are large and therefore will continue to be reviewed by the Board.

Mr. Donato indicated that 91 percent of the CMS-led procurements are for amounts under \$250,000. However, this threshold only represents 14 percent of the total monetary value of all CMS-led procurements. He added that if the Board delegated authority to approve routine commodity purchases for amounts less than \$250,000 to staff, approximately 1,008 staff hours could be saved per year and up to four weeks could be shaved off the procurement process.

Mr. Donato indicated to the Board that the CMS-led contracts will continue to be competitively bid. Staff will also do the following: submit monthly reports of transactions to the Board; post transactions on the Tollway's website; and seek Board approval if the cumulative amount awarded to a single vendor exceeds \$250,000.

Chair Wolff asked Director Banks whether the Board has ever delegated this type of authority to Tollway staff. Director Banks responded that the Board has not delegated authority for contract approval during his tenure [since 1993].

Director Peterson indicated that he is willing to support the proposed delegation of authority if a sunset period is added to the resolution and the policy is reviewed in 6-12 months. Ms. Lafleur asked that the Committee consider a 12 month review period to ensure sufficient time to evaluate the process. **The Committee proposed a 12 month review period.**

Regarding the public posting of the staff-approved contracts, Chair Wolff asked whether the public can provide online comment about the posted reports. If so, the public feedback could be incorporated in the Board's review of the policy in twelve months. **Ms. Lafleur responded that staff will look into whether that functionality is available.**

Chair Peterson asked whether there should be a cap on the percentage or total dollar amount that is approved for this process. Ms. Lafleur responded that tracking in that manner would be cumbersome. **She indicated that staff can report back to the Board periodically on what percentage of the total procurement dollars are approved through this new process.**

Ms. Lafleur indicated that staff will place the updated resolution for the delegation of Board approval authority on the upcoming Board Agenda for all Directors to consider.

Land Acquisition Process Presentation

General Counsel David Goldberg introduced Joanne Fehn, Land Acquisition Manager, to give a presentation on the process for land acquisition. Ms. Fehn highlighted Tollway projects requiring land acquisition, the timeline for the process, risks associated with delayed land acquisitions and the Board's role in this process as shown in the [attached slides](#).

Director Peterson asked whether the Tollway has the authority to use the quick-take process to gain property title without permission from the General Assembly. Ms. Fehn responded that the Tollway has the authority to use the quick-take process as provided by the Illinois Eminent Domain Act.

Director Banks asked what percentage of property owners reject the Tollway's initial offer. Ms. Fehn indicated that historically 30 percent of the property owners reject the Tollway's initial offer thus requiring litigation to resolve the matters. She added that this is a good percentage compared to other agencies with similar land acquisition requirements.

Director Peterson noted that the value of many residential properties have dropped in recent years. However, many homeowners may anticipate that their home values will increase over the next ten years. He asked how the Tollway will handle homeowners who argue that the Tollway should pay more than the current value of the property because the homeowners are forced to sell under less than ideal market conditions.

Ms. Fehn responded that the Tollway will consider all information the owner may provide concerning value. The Tollway does not bargain to pay lower than the appraised value. Per the Tollway Act the Tollway is not permitted to offer less than the fair market value as established by appraisal of the property. With decreased value, no equity or upside down situations; the Tollway will offer the appraised value; however, the Tollway is required to pay amounts necessary to clear the title to the property. For instance, if the property owner owes their bank \$300,000 on a property that is currently appraised for \$200,000, then the Tollway would pay \$300,000 to the bank to clear the title; the \$200,000 appraised value plus the additional \$100,000 needed to pay off the bank.

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

Item 1: Renewal of Liability Insurance Program including commercial general, business automobile and excess liability through USI-Midwest

as insurance broker for a period of one-year commencing June 1, 2012 through May 31, 2013 for an estimated premium amount of \$963,665.

Committee Chair Peterson asked why there was an increase in the insurance premium. Mr. Colsch responded that the insurance industry has experienced significant losses over the last year which caused increased premiums in general. Director Peterson asked whether staff had considered increasing the insurance deductible to lower the premium price. Mr. Colsch responded that the premium savings associated with increasing the insurance deductible are offset by the retention costs.

Chair Wolff asked why the Tollway only received one bid for this insurance contract. Mr. Colsch responded that he received two responses to that question from insurance brokers that attended a recent Tollway vendor conference: (1) they cannot be competitive with the incumbent carrier; and (2) the Tollway would likely receive more bids if it established a broker of record to shop around for coverage. Currently, CMS does not permit the use of a broker of record.

Ms. Lafleur reminded the Committee that a strategic insurance discussion is scheduled on the FAO Work Plan for later in the year and asked whether that discussion should be scheduled sooner. **Committee Chair Peterson agreed that June would be the appropriate timing for the Committee's insurance discussion. Chair Wolff suggested that staff review insurance procurement practices at similar agencies in preparation for the upcoming Committee discussion.**

Ms. Lafleur suggested that based on the outcome of the Board discussion in June, staff can appeal to CMS to change the procurement procedure for Tollway insurance services.

Director Gonzalez made a motion for approval of **Finance 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 12-0111 to Environmental Systems Research Institute (ESRI), Incorporated, for the purchase of ESRI Software Maintenance, in an amount not to exceed \$48,951.89 (CMS Master Contract).

Item 2: Award of Contract 12-0086 to Energy Absorption Systems, Incorporated, for the purchase of Crash Attenuator Parts in an amount not to exceed \$145,000.00 (CMS Master Contract).

Item 3: Award of Contract 12-0021 to McAllister Equipment Company and Martin Implement Sales, Incorporated, for the purchase of Skid Steer Attachments in an amount not to exceed \$94,857.00 (CMS Master Contract).

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

Item 4: Renewal of Contract 10-0033 to Parkway Elevators, Incorporated, for Elevator Maintenance, Inspection, Repair and Full Hydraulic Pressure Testing, increasing the contract upper limit by \$70,000.00 from \$109,120.00 to \$179,120.00 (Tollway Invitation For Bids).

Item 5: Award of Contract 11-0020R to Builders Chicago Corporation for the purchase of Overhead Door Repair in an amount not to exceed \$71,964.00 (Tollway Invitation for Bid).

Item 6: Award of Contract 11-0333 to Column Technologies, Incorporated, for the purchase of Case Management Software in an amount not to exceed \$95,100.00 (Tollway Request for Proposals).

Item 7: Award of Contract 12-0171 to The Nature Conservancy for the purchase of Wetland Mitigation, in an amount not to exceed \$987,062.00 (Tollway Sole Source).

Director Banks made a motion for approval of **Procurement Items 4-7**; seconded by Director Gonzalez. 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-11-9108 to Builders Chicago Corporation for a New Salt Dome on the Tri-State Tollway (I-294) M.P. 41.5 (Maintenance Yard 3) and Salt Dome Repair on the Reagan Memorial Tollway (I-88) M.P. 127.0 (Maintenance Yard 8) in the amount of \$871,860.90.

Director Gonzalez asked why the winning bid was nearly \$300,000 more than the budgeted amount for this project. Mr. Kovacs responded that the budget for this project was established in 2009. Since then, the condition of the salt domes deteriorated faster than expected and therefore more work is needed than originally projected.

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

Item 2: Acceptance of Proposal from CH2M HILL, Inc. on Contract I-11-4014 for Design Corridor Management and Design Section Engineering Services on the Elgin O'Hare West Bypass in the amount of \$66,840,422.00.

Director Banks made a motion for approval of **Engineering Item 2**; seconded by Director Gonzalez. The motion was approved unanimously.

Item 3: Acceptance of Proposal from Parsons Brinckerhoff, Inc. on Contract I-11-4015 for Reconstruction and Add Lane on the Jane Addams Memorial Tollway (I-90) Milepost 78.6 (Kennedy Expressway) to Milepost 73.1 (Oakton Street) in the amount of \$23,400,000.00.

Item 4: Acceptance of Proposal from Crawford, Murphy & Tilly, Inc. on Contract I-11-4016 for Reconstruction and Add Lane on the Jane Addams Memorial Tollway (I-90) Milepost 73.1 (Oakton Street) to Milepost 68.1 (IL Route 53) in the amount of \$16,449,979.40.

Item 5: Acceptance of Proposal from HDR Engineering, Inc. on Contract I-11-4017 for Reconstruction and Add Lane on the Jane Addams Memorial Tollway (I-90) Milepost 68.1 (IL Route 53) to Milepost 60.8 (Higgins Road) in the amount of \$24,150,000.00.

Item 6: Acceptance of Proposal from BV3 Joint Venture on Contract I-11-4018 for Reconstruction and Add Lane on the Jane Addams Memorial Tollway (I-90) Milepost 78.6 (Kennedy Expressway) to

Milepost 53.8 (Elgin Toll Plaza) and Milepost 60.8 (Higgins Road) to Milepost 53.8 (Elgin Toll Plaza) in the amount of \$26,899,338.80.

Item 7: Acceptance of Proposal from ABNA of Illinois, Inc. on Contract I-11-4019 for Interchange Improvements on the Jane Addams Memorial Tollway (I-90) Milepost 76.1 (Lee Street) in the amount of \$2,684,365.94.

Item 8: Acceptance of Proposal from Elmhurst Joint Venture on Contract I-11-4020 for Interchange Improvements on the Jane Addams Memorial Tollway (I-90) Milepost 73.5 (Elmhurst Road) in the amount of \$5,378,769.00.

Director Peterson noted that some of the subcontractors for these projects are listed on several projects and asked whether a capacity analysis was done to assess the subcontractor's ability to work on multiple projects. Mr. Kovacs responded that a capacity analysis is performed for the prime contractors but not for the subcontractor. He noted that based on his experience with the Congestion Relief Program he does not anticipate having problems due to overcommitted subcontractors.

Director Gonzalez made a motion for approval of **Engineering Item 3-8**; seconded by Director Banks. The motion was approved unanimously.

Mr. Kovacs indicated that the Program Management Office is working with Engineering to lay-out the master project schedule for the duration of the Move Illinois Program. Per the Tollway's request, each contract for design services includes contract packaging analysis that details how each construction project can be unbundled into smaller projects if

needed. He added that the construction managers will also provide input on how the contracts can be unbundled if appropriate.

Item 9: Acceptance of Proposal from HR Green, Inc. on Contract I-11-4028 for Bridge and Roadway Reconstruction and Widening on the Jane Addams Memorial Tollway (I-90) Milepost 18.3 (Kishwaukee River) to Milepost 45.3 (Sandwald Road) in the amount of \$3,399,273.41.

Item 10: Acceptance of Proposal from Christopher B. Burke Engineering, Ltd. on Contract I-11-4032 for Environmental Services Upon Request Systemwide in the amount of \$5,000,000.00.

Item 11: Acceptance of Proposal from CivCon Services, Inc. on Contract I-11-5629 for Dixie Creek Relocation on the Tri-State Tollway (I-294) Milepost 7.7 (Dixie Creek) in the amount of \$573,504.12.

Director Gonzalez noted that twelve D/MBE firms made bids to be the prime contractor for Engineering Item 9. He asked why none of the D/MBE firms, some of which have acted as sub-contractors or partners on larger Tollway contracts, were chosen as prime contractors for this Engineering Item 9.

Mr. Kovacs responded that HR Green, Inc. was chosen as the prime contractor because the selection committee determined that they were the best qualified for this project based on their Statement of Interest. He added that D/MBE firms have been chosen as prime contractors for other projects on this month's agenda.

Director Gonzalez made a motion for approval of **Engineering Item 9-11**; seconded by Director Banks. The motion was approved unanimously.

Item 12: Final Release of Retainage on Contract No. RR-10-5612 to William Charles Construction Company, LLC/Northwest Illinois Construction Co. (Joint Venture) for Ramp Rehabilitation on the Jane Addams Memorial Tollway (I-90) Milepost 53.5 (Genoa Road Interchange) Ramps A, B, C, D & AB in the amount of \$29,220.00. (recusal by Director Towns)

Item 13: Final Release of Retainage on Contract No. RR-10-9080 to Broadway Electric for Maintenance Facilities Repairs Systemwide in the amount of \$200,085.44.

Director Banks made a motion for approval of **Engineering Item 12-13**; seconded by Director Gonzalez. The motion was approved unanimously.

Committee Chair Peterson called on David Goldberg, General Counsel, to present the following Legal items:

Item 1: An Intergovernmental Agreement with the Village of Libertyville and the Libertyville Fire Protection District. Cost to the Tollway: \$0

Item 2: Amended Identification of Real Estate Parcels – Cook County. Cost to the Tollway: \$0

Director Gonzalez made a motion to approve **Legal Item 1**; seconded by Director Gonzalez. The motion was approved unanimously.

At approximately 10:10 a.m., General Counsel David Goldberg indicated a need to discuss litigation and pending litigation in Executive Session pursuant to Section 2(c)(11) and other applicable provisions of the Open Meetings Act.

Director Gonzalez made a motion to enter into Executive Session; seconded by Director Banks. The motion was approved unanimously.

At approximately 10:20 p.m., the Board re-entered the public session of the Board Meeting.

Committee Chair Peterson called for a motion to defer discussion of **Legal Item 2** to the Executive Session of the full Board. Director Banks made the motion; seconded by Director Gonzalez.

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

The meeting was adjourned at approximately 10:25 a.m.

Minutes taken by: _____

Tranece Artis
Board Secretary
Illinois State Toll Highway Authority