

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

**August 15, 2012**

The Illinois State Toll Highway Authority held a Finance Administration Operations (FAO) Committee Meeting on Wednesday, August 15, 2012 at approximately 8:00 a.m. at the Central Administration Building in Downers Grove, Illinois.

Committee Members Present:

Committee Chair Mark Peterson

Director Terry D'Arcy

Director David Gonzalez

Also Present:

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 then called for a motion to approve the minutes of the Finance Administration Operations Committee Meeting and Executive Session held on Wednesday, July 18, 2012. Director D'Arcy made the motion to approve the minutes; seconded by Director Gonzalez. The motion was approved unanimously.

Committee Chair Peterson introduced Mike Colsch, Chief of Finance, to provide a review of the second quarter financial results as shown in the attached [presentation](#).

Mr. Colsch informed the Board that the decrease in evasion recovery during the second quarter was primarily due to an adjustment in the accounting treatment recommended by the new external auditor, KPMG LLP. Previous auditors recommended that Tollway revenue be recognized when toll fine notices were issued with an allowance for bad debt. However, KPMG suggested that the Tollway not recognize any revenue until it is collected. As a result, \$11.6 million in toll collection receivables reported in 2011 will be adjusted in 2012 – \$5.8 million in the first half of the year and \$5.8 million in the second half of the year. He noted that the actual evasion recovery to date tracks close to the projected collections.

Committee Chair Peterson asked whether KPMG's approach is standard practice. Director Gonzalez indicated that in many municipalities fines related to traffic violations are not booked as receivables until the traffic court rules that the violators are guilty of the traffic violation.

Regarding the capital budget, Mr. Colsch indicated that expenditures for the second quarter were approximately \$29 million under budget mostly due to scheduling changes attributed to procurement delays. He estimated that as much as \$84 million in scheduling changes are expected by the end of the year due to procurement delays.

Chair Wolff asked Paul Kovacs, Chief Engineer, whether procurement delays have improved since the start of the Move Illinois capital plan. Mr. Kovacs responded that there has not been a dramatic improvement in the procurement turnaround time. However, Engineering has made internal schedule adjustments to account for how long it takes to get a contract approved. He added that even with the internal adjustments that it is difficult to predict the procurement timing.

Committee Chair Peterson asked whether the procurement delays have affected contract pricing. Mr. Kovacs responded that a provision guaranteeing pricing for 60 days is routinely included in Tollway contracts. However, he indicated that he has not seen any automatic price increases related to that provision. He also noted that most of the procurement delays occur before the contracts are finalized. Mr. Kovacs also indicated that if certain projects are not complete by the end of year, the Tollway could incur costs related to winterization of the project and start-up costs.

Regarding the lower than expected decline in the number of passenger vehicle transactions, Chair Wolff asked whether it was due to the delayed construction projects. Executive Director Lafleur responded that the better than expected performance in passenger vehicle transactions can be attributed to a variety of reasons including delayed construction projects and the relatively mild weather last winter. Committee Chair Peterson called on Mr. Colsch to present the following **Finance** items:

*Item 1: Approval of financial firms to provide Underwriting and Remarketing services for an initial term of (3) three years with options to renew for up to (2) two years. [Recusal by Director D'Arcy]*

Committee Chair Peterson asked how staff will determine the order by which firms will be selected from the pool for each underwriting opportunity. Mr. Colsch responded that the selection will be based on the structure of the transaction, the diversity goal requirements and other factors outlined in the Request for Proposal (RFP).

Committee Chair Peterson asked whether the RFP indicated that a selection priority could be given to minority or Illinois-based firms in the underwriting pool. Mr. Colsch responded that a diversity goal is specified in the RFP as a selection criterion for the managing and co-

managing firms. However, the RFP does not specify an Illinois-based selection criterion.

Chair Wolff asked which Tollway staff members will be involved in the selection of managing and co-managing firms for each underwriting transaction. Mr. Colsch responded that Bill O'Connell - Capital Budget Specialist, Cathy Williams – Deputy Chief of Finance and John Donato – Chief of Procurement will assist him in making the selections.

Director D'Arcy recused himself from the discussion and vote for this agenda item due to a business relationship with one of the underwriting firms.

Director Gonzalez made a motion for approval of **Finance Item 1**; seconded by Committee Chair Peterson. The motion was approved unanimously.

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

*Item 1: Renewal of Contract 11-0093 to Addison Building Materials Company and 84 Lumber Company for the purchase of Fast-Setting and Portland Cement Products in an amount not to exceed \$39,162.00 (Tollway Invitation for Bid).*

Director D'Arcy made a motion for approval of **Procurement Item 1**; 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 I-12-4063 to Copenhaver Construction, Inc. for Building Removal and Site Grading on the Tri-State Tollway (I-294) at I-57, from Milepost 7.95 to Milepost 8.65, in the amount of \$871,740.00.*

*Item 2: Award of Contract RR-12-5649R to Curran Contracting Company for Intermittent Pavement Repairs and Micro-Surfacing Improvements on the Reagan Memorial Tollway (I-88) from Milepost 44.0 (U.S. Route 30) to Milepost 76.1 (IL Route 251), in the amount of \$5,227,040.11.*

*Item 3: Award of Contract RR-12-5651 to RoadSafe Traffic Systems, Inc., for Pavement Marking, Systemwide, in the amount of \$1,577,753.02.*

*Item 4: Acceptance of Proposal from Hill International, Inc. on Contract TBD for Systemwide Construction Management and Quality Assurance Services, in the amount of \$TBD.*

Regarding Engineering Item 1, Ms. Lafleur indicated that this contract was a part of the Tollway's contract unbundling effort to attract bids from a diverse group of smaller contractors. Mr. Kovacs added that this unbundling effort was partially successful in that 2 of the 3 bidders were new to the Tollway. However, he added that no DBE firms submitted bids for this project.

Director Gonzalez made a motion for approval of **Engineering Items 1-3**; seconded by Director D'Arcy. The motion was approved unanimously. Staff asked that discussion of **Engineering Item 4** be

deferred to the September FAO Committee meeting due to ongoing contract negotiation. The FAO Committee responded affirmatively.

Committee Chair Peterson called on David Goldberg, General Counsel, to present the **Legal** items.

*Item 1: An Intergovernmental Agreement with the Illinois Department of Transportation (Route 173). Cost to the Tollway: \$14,096,500.00 (estimated non-cash payment via credit to IDOT).*

*Item 2: An Intergovernmental Agreement with the Illinois Department of Central Management Services. Cost to the Tollway: \$0*

*Item 3: An Intergovernmental Agreement with the Illinois Department of Transportation (Plaza 21). Cost to the Tollway: \$0 (IDOT to reimburse Tollway \$2,710,640.19).*

*Item 4: An Intergovernmental Agreement with the University of Illinois (Call Center). Cost to the Tollway: Not to Exceed \$2,888,926.00 for build-out plus scheduled rent payments. (Recusal by Director Redick)*

*Item 5: A First Amendment to an Intergovernmental Agreement with Will County and the Village of Woodridge. Cost to the Tollway: \$0.*

*Item 6: DiBenedetto (Additional Identification of Real Estate Parcels). Cost to the Tollway: n/a.*

*Item 7: Land Acquisition Approval of Litigation Settlement. Cost to the Tollway: As discussed in Executive Session.*

Regarding Legal Item 4, Ms. Lafleur indicated that the Tollway's lease for the customer call center space in Lisle will expire at the end of the year and that the Tollway has been searching for state owned property to move the call center to for the past year. After an exhaustive search, the Tollway identified space at the University of Illinois Chicago campus (UIC). If this intergovernmental agreement (IGA) is approved by the Board, UIC will begin to build-out the space to the Tollway's specifications. She also indicated that the contract for the current call center will likely need to be extended while the new space is under construction.

Director D'Arcy asked about the size of the UIC space. Ms. Lafleur responded that the size of the UIC space is about 22,000 square feet compared to the current facility which is approximately 11,000 square feet. She added that the Tollway expects to need additional call center staff due to Move Illinois capital projects. She noted that the UIC space costs 20 percent less per square foot than the current call center space. Also, under this IGA the Tollway will have access to other conference space on the UIC campus for larger meetings.

Director D'Arcy made a motion for approval of **Legal Items 1-5**; seconded by Director Gonzalez. The motion was approved unanimously. General Counsel recommended that discussion of **Legal Items 6 and 7** be deferred to Executive Session.

At approximately 8:40 am, General Counsel David Goldberg indicated a need to discuss the potential purchase of real property and pending litigation in Executive Session pursuant to Section 2(c)(5) and Section 2(c)(11) of the Open Meetings Act. Director Gonzalez made the

motion; seconded by Director D’Arcy. The motion was approved unanimously.

At approximately 8:55 a.m., the Finance Administration Operations Committee meeting reconvened in open session. Based on discussions during Executive Session, Committee Chair Peterson called for motions on **Legal Items 6 and 7 as discussed in Executive Session**. Director Gonzalez made the motion; seconded by Director D’Arcy. 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 Director D’Arcy. The motion was approved unanimously.

The meeting was adjourned at approximately 9:00 a.m.

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

Tranece Artis  
Board Secretary  
Illinois State Toll Highway Authority