<u>Item #1</u>:

Village President Underwood:

IL Route 53 Extension - Finance Committee Mtg #3

02/20/14

Meeting Notice

www.illinoistollway.com

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The Illinois Tollway invites you to attend the Illinois Route 53/120 Project Finance Committee Meeting #3

Thursday, February 13, 2014
2 - 4 p.m.

Lake County Central Permit Facility, 2nd Floor
500 West Winchester Road
Libertyville, Illinois 60048

map/directions / add to your Outlook

The agenda will include the following:

I. **Roll call**
II. **Approve December 3, 2013, meeting minutes**
III. **Discussion of local funding options**
IV. **Next steps**
V. **Public comments**
VI. **Adjournment**

RSVP by February 7 to: **Cathy Valente, (630) 765-0433** or cvalente@getipass.com.

Agendas, presentations and reports from the Finance Committee will be available in the Community Outreach section on the Illinois Tollway's website. Please don't hesitate to contact us with any questions.

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Construction/Planning

- Capital Programs
- Projects By Roadway
- Daily Lane Closures
- Community Outreach
  - I-90 Corridor
  - **Illinois Route 53/120 Project**
    - Illinois Route 53/120 Blue Ribbon Advisory Council
  - Chicago Regional Congestion Pricing Study
- Environment
- Work Zone Safety
- Completed Projects

Illinois Route 53/120 Project

Jump to a page section:
Feasibility Analysis | Finance Committee | Blue Ribbon Advisory Council

About the Feasibility Analysis

Fact Sheet

In 2012, the Blue Ribbon Advisory Council (BRAC) proposed the Illinois Route 53/120 Project as a 21st century urban highway – a modern boulevard with a small footprint to protect the natural environment and preserve the character of Lake County, while providing much needed congestion relief and greater connectivity. The Tollway's Board of Directors reviewed the BRAC recommendations and agreed to move forward with a coordinated, corridorwide land use plan led by Lake County and the Chicago Metropolitan Agency for Planning, as well as a feasibility analysis to determine how the project can be financed.

For more information on the project and to view the draft potential map of the Illinois Route 53/120 Project, click on the Fact Sheet link on the right.

To determine how the project can be financed, the Tollway's feasibility analysis will focus on five key study areas: design, environmental, financing, operations and regulatory. Also, as guided by the BRAC Summary report, the financing effort needs to "analyze potential funding options and pursue corridor concepts to the extent that they are financially viable, fiscally sustainable and equitable."

The Tollway's feasibility analysis is anticipated to be complete in early 2015. While this effort will not determine the exact location and configuration of the route nor a construction timeline, it may provide a foundation for future design and construction efforts.

For more information, email IL53120Info@getipass.com.

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Finance Committee

As part of a partnership with the Chicago Metropolitan Agency for Planning (CMAP) and Lake County, the Tollway is forming and leading a Finance Committee, which will consider detailed project information from the feasibility analysis to develop a financing strategy for the project. Ultimately, the Finance Committee will seek to answer the questions "Is the project feasible?" and "Should the Tollway build the project?" Its work will be the basis to develop a recommendation to the Illinois Tollway Board of Directors as to whether the Tollway should continue to move forward with the project.

At the same time, CMAP will form and lead a Land Use Committee that will recommend a corridor land use plan. For more information about the Corridor Land Use Plan and Committee.

For more information, email IL53120Info@getipass.com.

Committee Documents

February 13, 2014 Meeting Presentation (pdf)

December 3, 2013 Meeting Presentation (pdf)

December 3, 2013 Meeting Minutes (pdf)

October 21, 2013 Meeting Presentation (pdf)

October 21, 2013 Meeting Minutes (pdf)

Visit the newsroom

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Blue Ribbon Advisory Council

The Blue Ribbon Advisory Council includes local elected officials, transportation and planning agencies and a diverse group of environmental, civic, business and labor representatives that serve in an advisory capacity as the current phase of work gets underway. While the bulk of the BRAC's work is complete, the primary objective in this phase is to ensure that the Tollway's efforts align with the groundwork laid by the Blue Ribbon Advisory Council in 2012.

In this next phase, the Tollway, the Chicago Metropolitan Agency for Planning (CMAP), and Lake County will partner on a feasibility analysis and corridor land use plan, both of which were recommended by the BRAC as next steps for

the Illinois Route 53/120 Project.

BRAC Member List

For more information, email IL53120Info@getipass.com.

Council Documents

September 17, 2013 Meeting Presentation (pdf)

September 17, 2013 Meeting Summary (pdf)

View the video of BRAC meeting one on September 17, 2013.

Visit the newsroom

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Previous Work by the Council

Learn more about the previous work of the Illinois 53/120 Blue Ribbon Advisory Council.

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Related Links

June 2012 Final Council Resolution and Summary Report (pdf)

Lake County Transportation Improvement Study (IDOT)

The Center for Humans and Nature asks: To build or not to build a road . . . how do we honor the landscape? (Center for Humans and Nature)

Grayslake's Vision for a Low Profile Route 53/120 (pdf)

Grayslake's Design Parameters (pdf)

Defending the Liberty Prairie Preserve (pdf)

Board Information | Manage Account | Move Illinois
Construction | State Police | Videos

Tollway News

- Construction Alert February 18, 2014
- 02/18/2014 - Illinois State Police Announce Roadside Safety Check to be Conducted
- 02/17/2014 - Illinois Tollway Asks Drivers to Avoid Travel in Dangerous Weather
- 02/14/2014 - O'Hare Oasis Pavilion to Close Overnight for Water Main Repairs
- 02/11/2014 - Illinois Launches Campaign To Educate Drivers About Hand-Held Cellphone Ban
- 02/08/2014 - Illinois Tollway Prepared for Weekend Snowfall

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Illinois Route 53/120 Project

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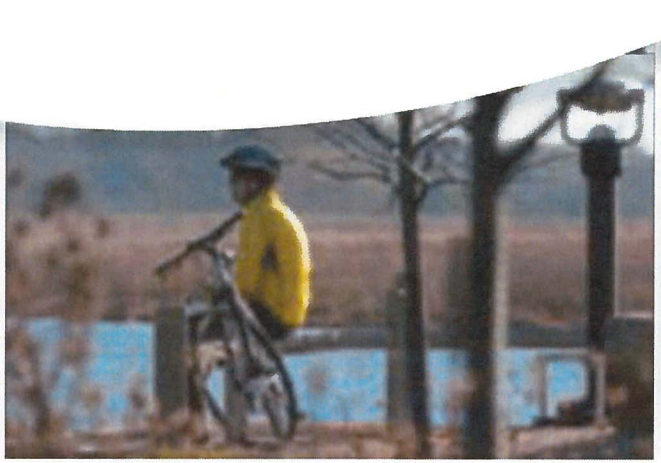
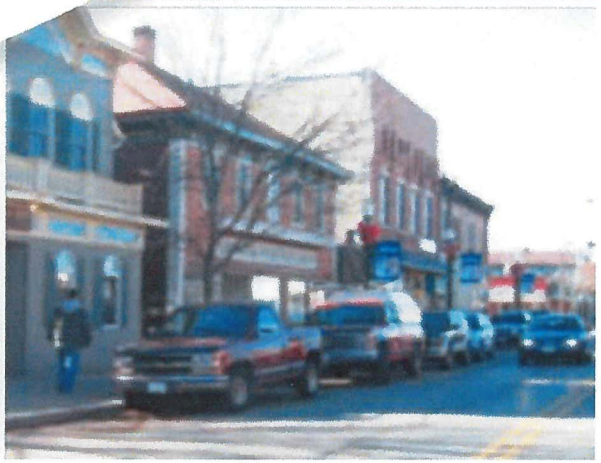
Finance Committee

Meeting Three
February 13, 2014

Lake County Central Permit Facility

Objective of Finance Committee

- **Disclosure Agreement**
- **Finance Committee will be responsible for developing a viable and sustainable plan**
  - Co-Chairs, Tollway, and consultant team here to assist, conduct studies and analyses
- **Ultimately, the Finance Committee will forward its recommendations to the Illinois Tollway Board of Directors**

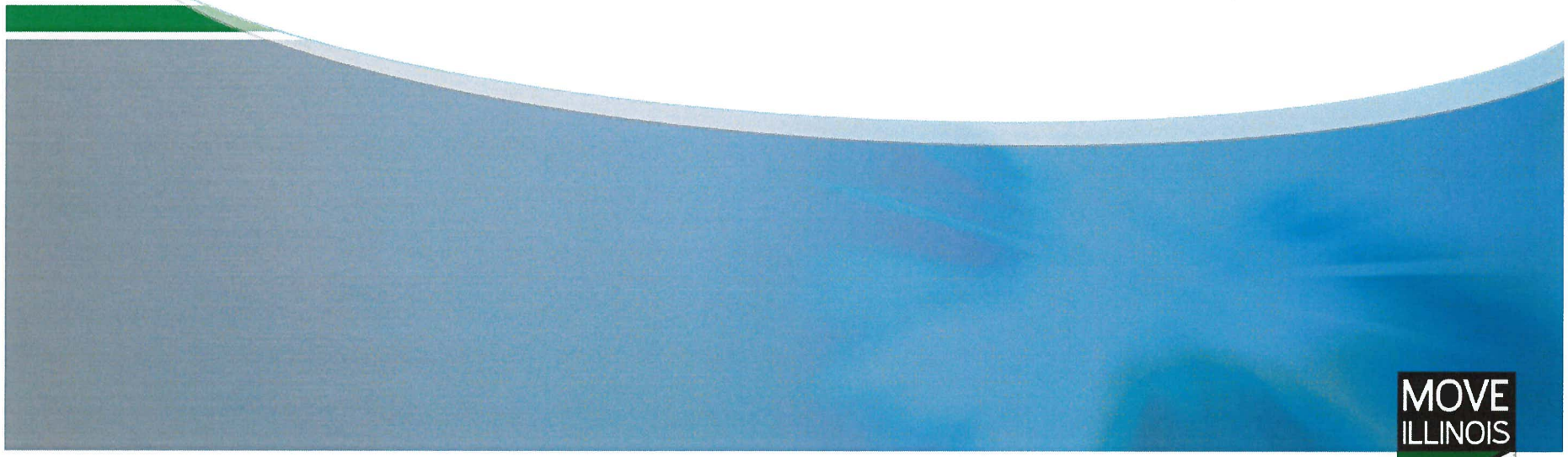
Strategy for Success

- **Now through April**
  - Results of revenue studies and travel demand model
  - Continuing data analyses and fact finding
  - CMAP initiating land use study
- **Today's Agenda**
  - Primer on financing
  - Primer on value capture
  - Tollway Interchange and Roadway Cost Sharing Policy

Summary of Previous Meeting

- **Meeting #2, December 3, 2013**
- **Presented feasibility analysis cost estimate**
  - $2.56 to $2.87 billion (2020 dollars)
- **Presented theory of project cost estimating**
  - Increased confidence with continued refinements over time
- **Discussed preliminary funding gap estimate**
  - $2.47 billion (2020 dollars)
- **Introduced BRAC funding options**

Financing 101



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Jill Jaworski Background

- Managing Director at Public Financial Management, Inc. (PFM)
- 15 years of experience as a municipal financial advisor and investment banker
- Specializes in transportation finance and working with large, complex issuers
- Graduate of the University of Chicago, B.A. in Political Science
- PFM provides day-to-day advisory services to the Tollway on bond issuance and debt portfolio
- PFM is a full service firm providing advisory services to municipal and governmental entities

Toll Revenue Financing Overview

- Funding vs. financing
- Financial capacity process overview
- Dedicated revenues and credit quality
- Gross-to-net revenue calculation
- Types of debt and revenue curves
- Basic toll revenue financing terms
- Project example

Toll Revenue Financing Overview

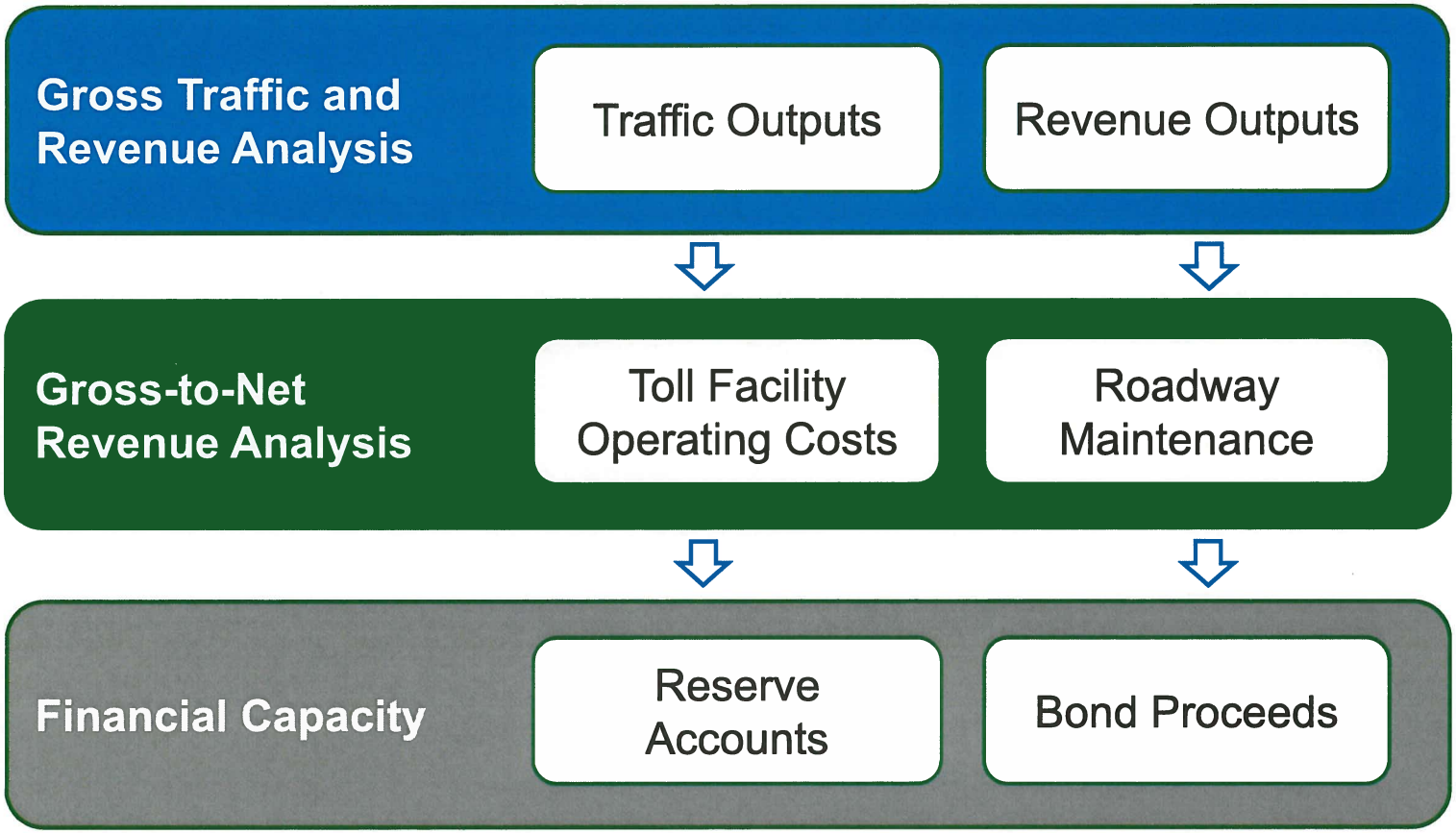
Funding

- Money used to pay for the project
- Grants, pay-as-you-go revenue
- Construction fund deposit from sale of bonds

Financing (Bonds)

- Tool to accelerate funding
- Converts a revenue stream into an up-front payment

Financial Capacity Process Overview



Dedicated Revenues and Credit Quality

- Single asset/ non-recourse
- Double barrel
- General obligation

Most risky

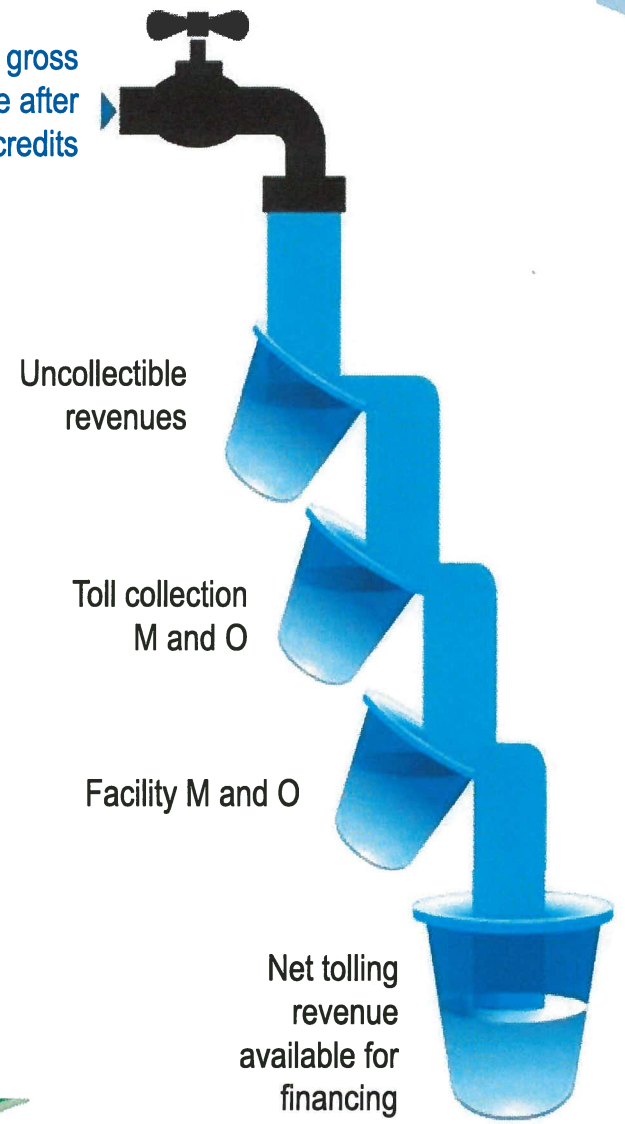
Less risk

Least risk

Depends on quality as well as number of sources

Gross-to-Net Revenue Calculation

- **Gross toll revenue:** Potential revenue before adjustments
- **Uncollectible accounts:** Adjustment for uncollectibles/leakage/ramp up
- **Toll collection M and O:** Agency/back office oversight costs, processing, customer service, equipment maintenance, etc.
- **Facility M and O:** Routine annual costs to maintain and operate the roadway
- **Net revenue available for financing:** Remaining revenue used to estimate the financial capacity



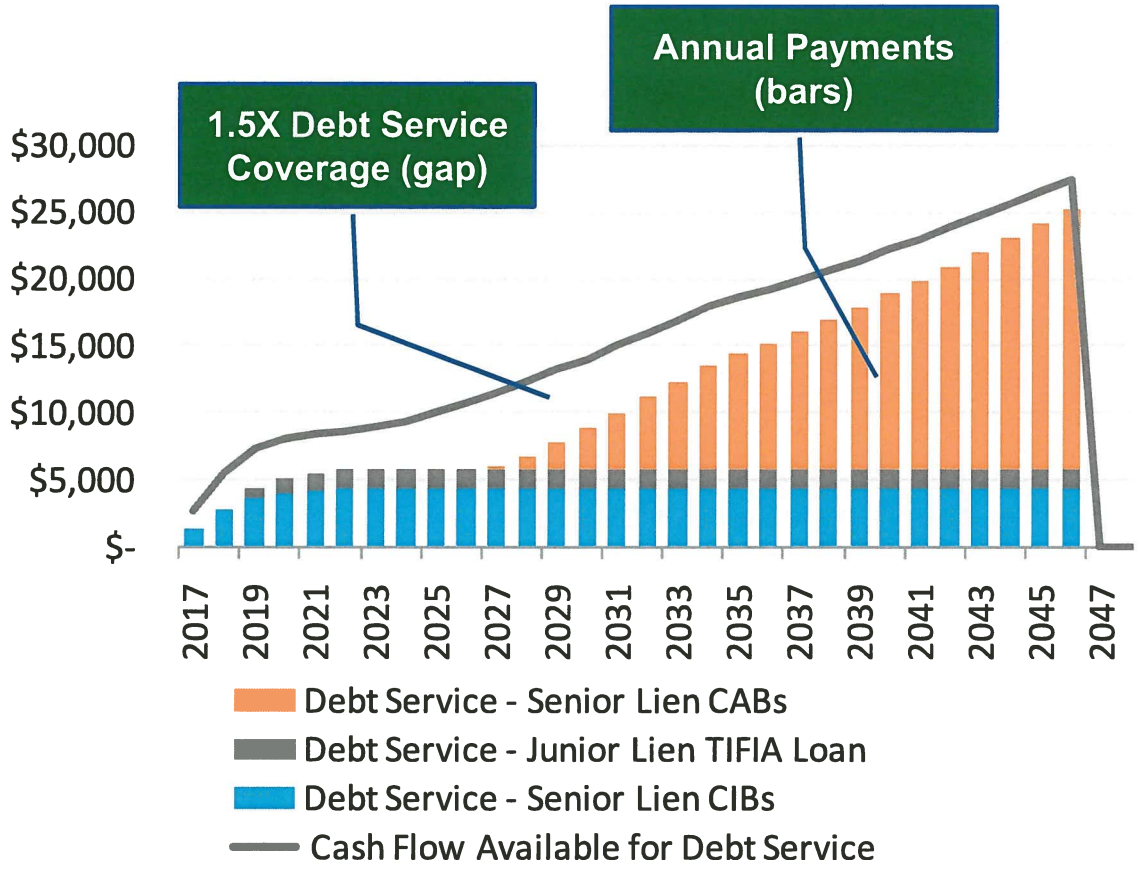
Toll Revenue Financing Basic Terms

- **Debt service coverage:** Ratio of expected net revenue to annual debt service payment
- **Par value:** Face amount of bonds
- **Bond proceeds:** Dollar amount generated by selling the bonds
- **Cost of issuance:** Deduction from par to pay sales, legal and other advisors and transaction costs
- **Capitalized interest:** Funds set aside to pay interest in the early years of the repayment term until regular (interest and principal) payments begin
- **Debt Service Reserve Account (DSRA):** Funds set aside as a safety net to pay debt service if revenues are insufficient
- **Project fund deposit:** Remaining funds available to apply to the cost of construction

Toll Revenue Financing Basic Terms (continued)

- **Current Interest Bond (CIB):** A type of bond where roughly equal principal and interest payments are made each year, similar to a home mortgage structure.
- **Capital Appreciation Bonds (CAB):** A type of bond where principal is not due until the end of the repayment term. Typically, matched with an increasing revenue stream.
- **TIFIA:** Transportation Infrastructure Finance and Innovation Act – USDOT program that provides credit assistance to projects – generally, more favorable loan terms (lower interest rates flexible repayment terms).

Project Example



SOURCES ($000s)

Gross Bond Proceeds	119,677
TOTAL SOURCES	119,677

USES ($000s)

Project Fund Deposit	**(97,579)**
DSRA Deposits	(9,682)
Cost of Issuance	(2,436)
Capitalized Interest	(9,980)
TOTAL USES	(119,677)

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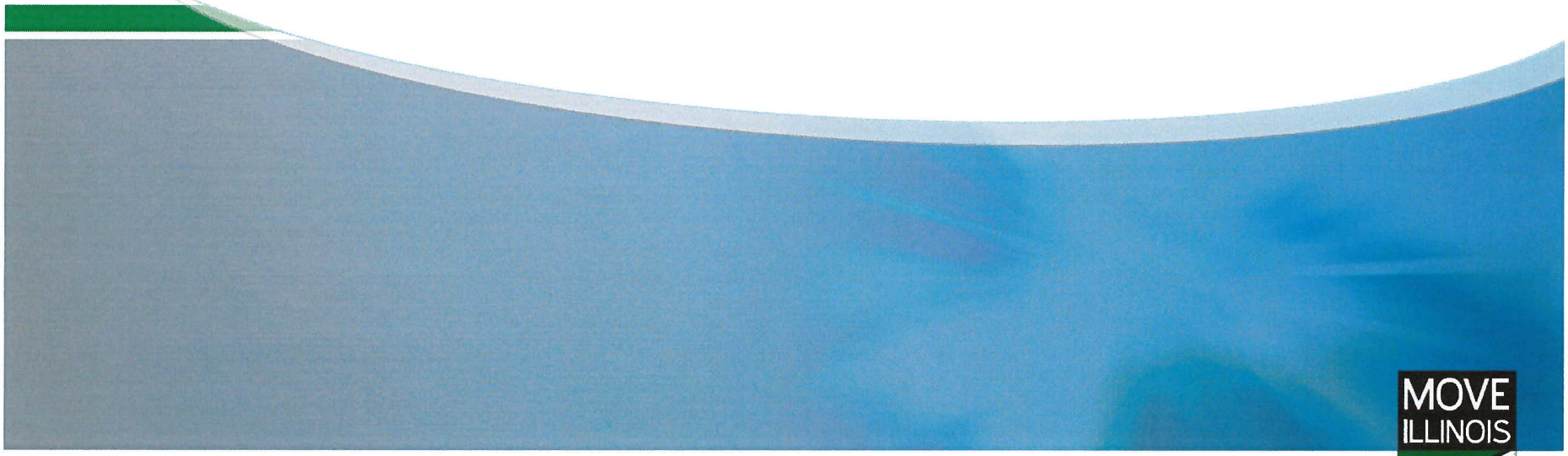
Value Capture



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Mark Briggs Background

- Vice President and Director of Finance and Investment with Parsons Brinckerhoff (PB)
- 40 years of experience with value capture
- Structured 200 public-private partnerships in 21 states
- Currently working on 12 highway and transit projects utilizing value capture and public-private partnerships
- Parsons Brinckerhoff is a member of the Feasibility Analysis consultant team
- PB is a leader in infrastructure design with a strong consulting practice in public finance

Value Capture Basics

- **What is it?**
  - Type of public financing that recovers some or all of the value that public infrastructure generates for private developments
- **Value capture mechanisms:**
  - Special service area (SSA)
  - Tax increment financing (TIF)

Special Service Area

- What it is and isn't
- Nexus between the benefit to owners and the assessment rates
- Toll road will result in higher rents and land values – offsetting the assessments
- Importance of private sector "champions"
- Examples of assessment supporting infrastructure

Example: Special Service Area

- Major development in northern Virginia outside Washington, D.C.
- Six major developers in the project promoted the creation of an assessment district
- The assessment district sold $400 million in bonds to support the infrastructure

Tax Increment Financing

- What it is and isn't
- Policy decision by taxing authorities to allocate new revenues
- Potential for "revenue sharing" among jurisdictions
- Importance of public sector "champions"
- Examples of tax revenues supporting infrastructure

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TIF District Support for Roads

Rockville Pike

Suburban Maryland congested area

Seven major developers participated in a TIF district to support $169 million in road work

Example: The Vision for Rockville Pike

TIF district put in place in July 2011

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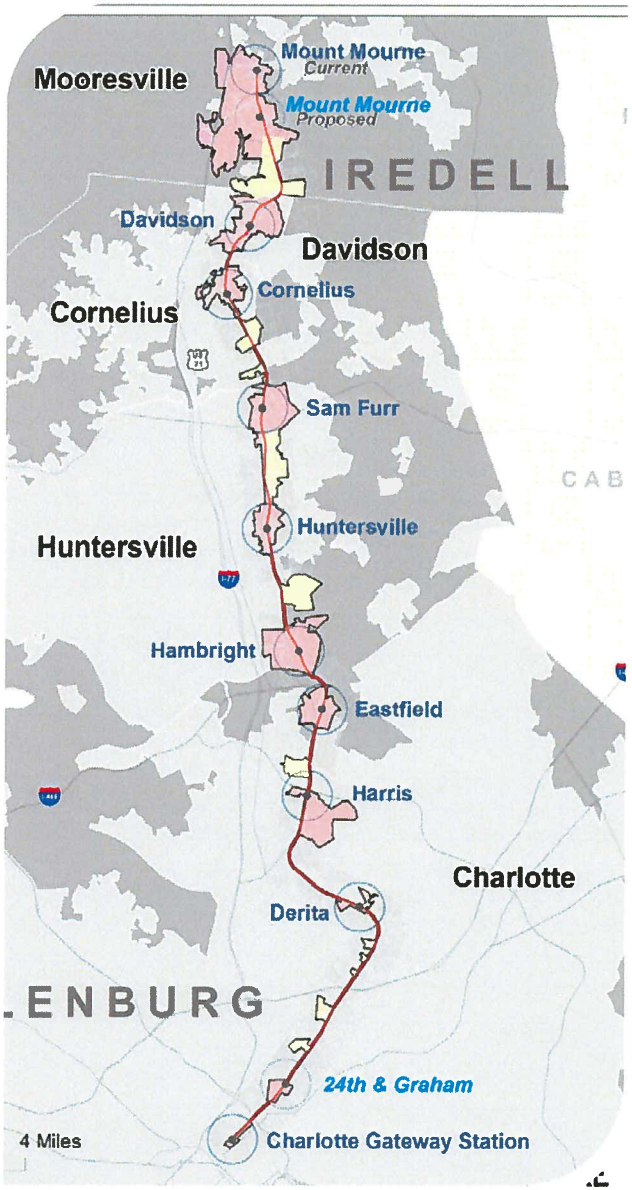
Example: Charlotte Red Line Corridor Approach

Project overview

- Upgrade existing 25-mile Norfolk Southern Railroad tracks
- Connects Charlotte to Mooresville
- Capital cost $452 million

Project objectives and challenges

- Provide regional mobility
- Increase transit-oriented development
- Stimulate economic growth
- Large number of municipal stakeholders
- Large funding gap



Charlotte Red Line Corridor

- Created a corridor with a unified TIF district and special assessment area
- Proposes a joint powers authority to receive and administer the TIF and assessment revenues
- Local funds match state and transit authority contributions to fill the gap

Corridor Boundaries

- Determining the boundaries for the TIF district and special assessment area
- Determine the governance structure for the interagency cooperation
- Address legal and legislative challenges

Tollway Interchange and Roadway Cost Sharing Policy

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Illinois Tollway: Approach to Cost Sharing

- **New leadership under Chair Paula Wolff and Executive Director Kristi Lafleur**
- **New leadership coinciding with recession impacts led to new direction on how projects should be funded**
  - 2010: Tollway Strategic Advisory Team
  - 2012: Interchange and Roadway Cost Sharing Policy

Overview of Cost Sharing Policy

- **First, project need must be substantiated**
  - Traffic benefits
  - Economic development benefits
  - Local support
- **New roadway cost share**
  - Local share
    - Cost of interchanges or
    - Ensure project viability

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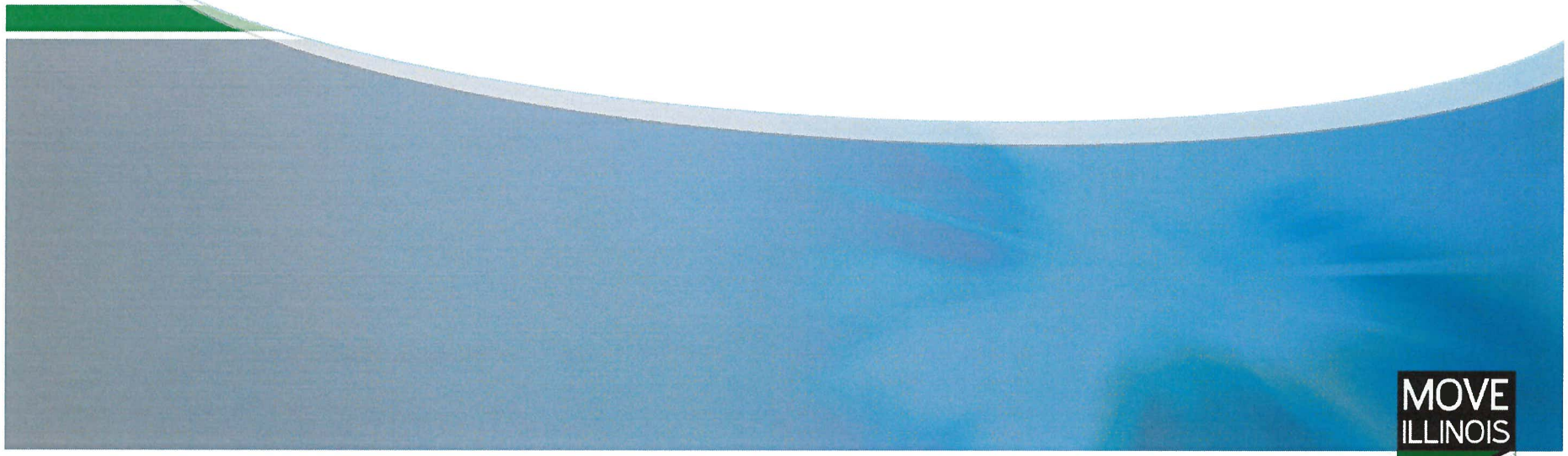
Interchange Cost Sharing Policy: Additional Considerations

- Provides system improvements (operational, environmental, safety and economical)
- Provides new access to a strategic regional arterial or designated truck route
- Applicant owns/has rights to needed right-of-way
- New access serves multiple regional purposes
- Collaboration and financing from multiple units of government

Cost Sharing Policy: Financial Plan Requirements

- **Financial plan**
  - Must address all project costs (uses)
  - Must identify project funding (sources)
- **Encourage tying "uses" and "sources"**
  - More equitable
  - Better anticipates funding restrictions

Examples of Cost Sharing



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Examples of Projects With Local Contributions

- **Veterans Memorial Tollway (I-355) South Extension (impetus for cost sharing policy)**
  - Five agencies shared in the cost of interchanges
- **Reagan Memorial Tollway (I-88)/Eola Road**
  - DuPage County: cash contribution
  - Aurora: land acquisition and donation
- **Jane Addams Memorial Tollway (I-90)/Illinois Route 47**
  - IDOT: share of project tied to road improvements
  - Kane and McHenry counties: design and cash contribution
  - Huntley: design and cash contribution

Examples of Projects With Local Contributions

- **Tri State Tollway (I-294)/Balmoral Road**
  - Rosemont financed and constructed entire project
  - Tollway 50 percent reimbursement tied to revenue
- **Jane Addams Memorial Tollway (I-90)/Irene Road**
  - Boone County/Belvidere: land donation and engineering
- **Jane Addams Memorial Tollway (I-90)/Barrington Road**
  - IDOT: cash contribution
  - Hoffman Estates: engineering and cash contribution
  - Alexian Brothers Hospital: cash contribution to Hoffman Estates

Discussion of Topics for Next Meeting

- Present preliminary results of travel demand model
- Present preliminary results of revenue studies
- Initial coordination with land use study

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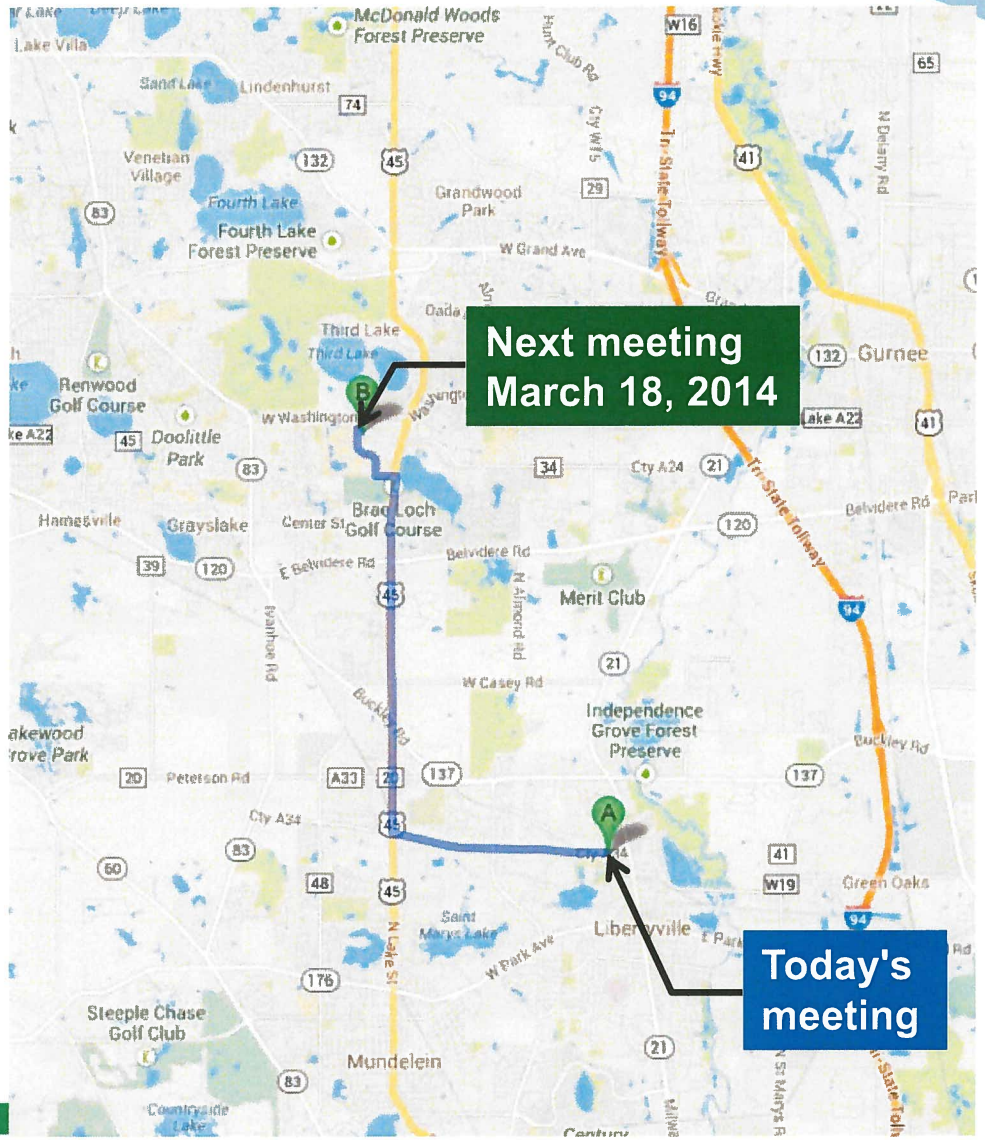
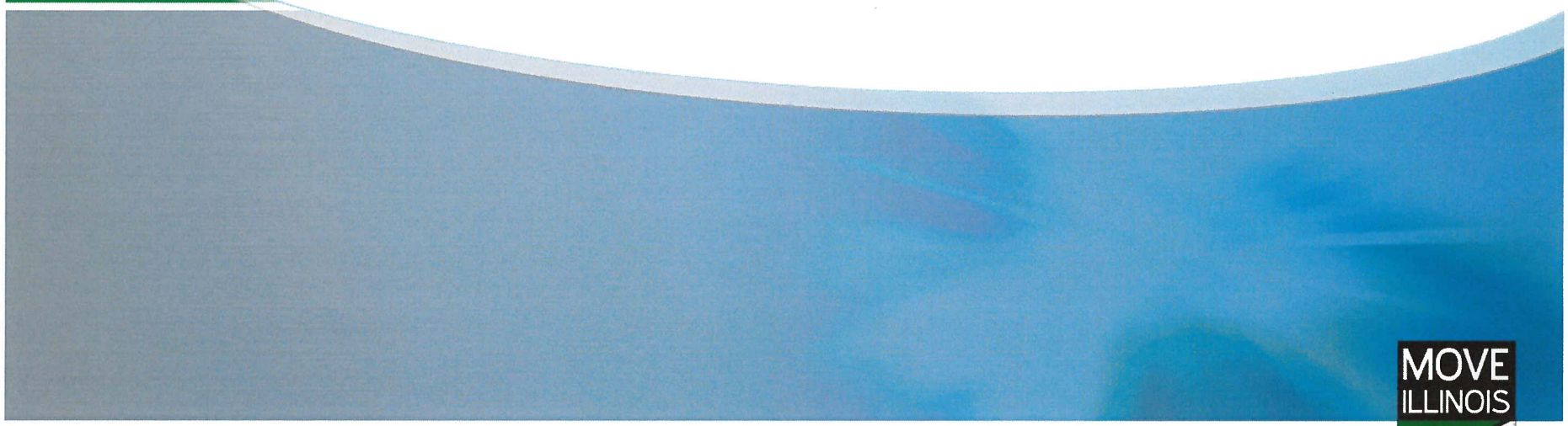
Next Meeting Logistics

- **Tuesday, March 18, 2014**
  - University Center of Lake County Conference Center
    1200 University Center Drive
    Grayslake, IL 60030
- **Finance Committee Meeting**
  - 1 p.m. to 2:30 p.m.
- **Land Use Committee Meeting**
  - 3 p.m. to 4:30 p.m.



QUESTIONS and ANSWERS



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PUBLIC COMMENTS

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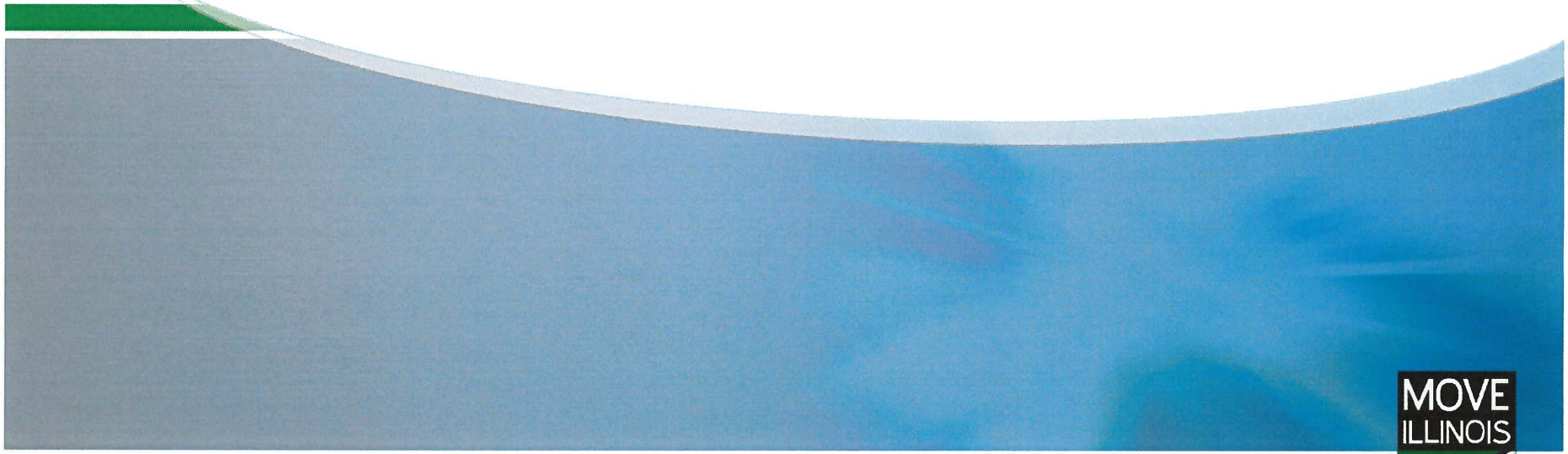
THANK YOU!



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