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State of Illinois

**COMMISSION ON GOVERNMENT
FORECASTING AND ACCOUNTABILITY**
703 Stratton Ofc. Bldg., Springfield, IL 62706

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April 10, 2006

Dear Respondent:

Thank you for your interest in providing consulting services to the Commission on Government Forecasting and Accountability (CGFA). As noted in the attached RFP (Request for Proposals), the CGFA is seeking an independent consultant to evaluate and determine the potential monetary value of a public-private partnership to the State of Illinois. The partnership would consist of a long term concession and lease agreement between the State of Illinois and a private entity in which the private entity would lease all or a portion of and manage the operations of Illinois' toll highway systems in return for toll revenues valued either at current toll rates or an adjusted rate structure. In addition to providing the Commission with the potential monetary value of the system, the Commission is also asking that the consultant include in its report a potential timeline of how long a transaction of this nature will take. The Commission asks that the consultant use any and all current and available data from CGFA and other sources to conduct this study.

All proposals must be received no later than 4:30 p.m. (Central Standard Time) May 10, 2006. The Commission expects to select a consultant by May 22, 2006 and under the terms of the contract expects to require completion of the consultant's report by June 30, 2006, however, the completion date may be revised based on discussions with the selected vendor.

When completing the scope of services sought by the Commission as detailed in the RFP, all studies and potential agreements shall take into account that the State has an interest in ensuring that this process does not diminish the wages, benefits, pensions, collective bargaining agreements, project labor agreements, and other rights of current and future direct and sub-contracted employees of the Illinois State Toll Highway Authority and its successors, if any.

If you have any questions or concerns regarding this RFP, please contact the Commission office at 217/782-5320.

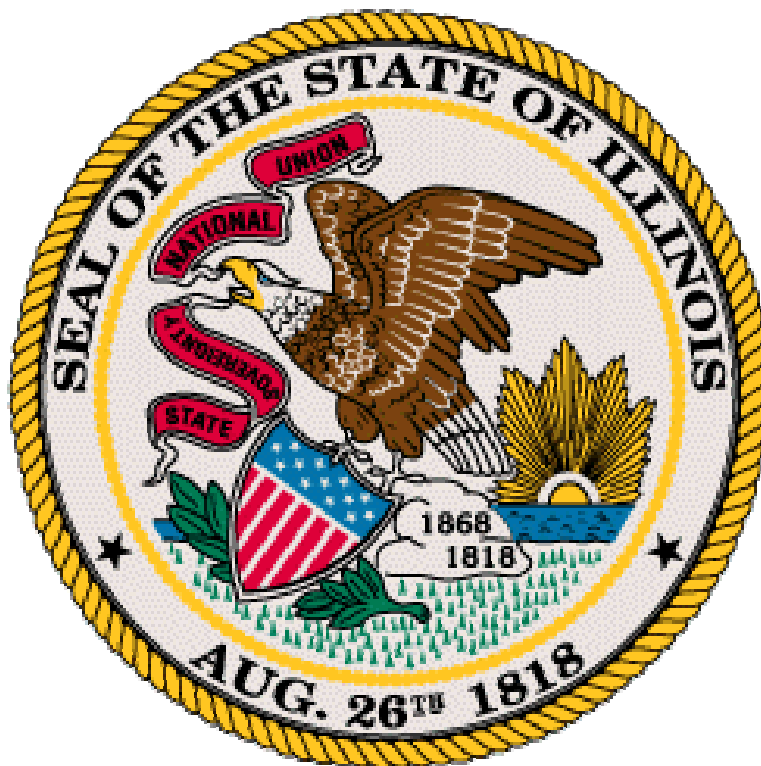
Sincerely,

A handwritten signature in black ink, appearing to read "Dan R. Long".

Dan R. Long
Executive Director

April 10, 2006

**REQUEST FOR PROPOSALS
TO PROVIDE CONSULTING SERVICES**



**ISSUED BY THE
COMMISSION ON GOVERNMENT FORECASTING AND
ACCOUNTABILITY
Springfield, Illinois**

**Proposals due May 10, 2006
(No later than 4:30 p.m. CST)**

Proposals due May 10, 2006
REQUEST FOR PROPOSALS (RFP)
TO PROVIDE CONSULTING SERVICES
TO THE COMMISSION ON GOVERNMENT FORECASTING AND
ACCOUNTABILITY

Overview. The Commission on Government Forecasting and Accountability (the “CGFA”) is seeking proposals to provide the CGFA with consulting services.

The CGFA, which is a bipartisan, joint legislative commission that provides the Illinois General Assembly with information on various topics, is seeking the proposals based on the recommendation of its Commission members. At the Commission’s April 4, 2006 meeting, the Commission recommended that the CGFA contract with an objective third party consultant to evaluate and determine the potential monetary value of a public-private partnership to the State of Illinois. The partnership would consist of a long-term concession and lease agreement between the State of Illinois and a private entity in which the private entity would lease and manage the operations of Illinois’ toll highway systems in return for toll revenues.

Details of this RFP, including the scope of services sought and information requested from respondents, follows. The CGFA reserves the right to reject any and all proposals, waive any irregularities of proposals, request clarification or additional information from any respondents and enter into any agreement as it may determine. This RFP is not subject to the provisions of the Illinois Procurement Code. This RFP is available online at www.ilga.gov/commission/cgfa/cgfa_home.html Questions about this RFP may be directed to Dan Long, CGFA, (217) 782-5320 or dlong@ilga.gov.

Proposals Due. Proposals must be received no later than 4:30 p.m. (Central Standard Time) May 10, 2006. Eight copies, including one unbound copy, of each proposal shall be sent to the attention of Dan Long, Executive Director, Commission on Government Forecasting and Accountability, 703 Stratton Office Building, Springfield, Illinois 62706. If available, a copy of each proposal also may be submitted on a CD. Proposals shall address all information requested in this RFP and shall be limited to 25 pages including any appendices.

Please notify the CGFA of your intent to respond to this RFP at your earliest convenience, via email to Dan Long at dlong@ilga.gov.

Scope of Services and Contract Terms. As noted above, the CGFA is requesting proposals upon the recommendation of the Commission. The members of the Commission recommended that the CGFA hire an independent consultant to evaluate and determine the potential monetary value of a public-private partnership to the State of Illinois. The partnership would consist of a long term concession and lease agreement between the State of Illinois and a private entity in which the private entity would lease all or a portion of and manage the operations of Illinois’ toll highway systems in return for toll revenues valued either at current toll rates or an adjusted rate structure. In addition to providing the Commission with a potential monetary value of the system, the Commission is also asking that the consultant include in its report a potential timeline of how long a transaction of this nature will take. The Commission asks that the consultant

use any and all current and available data from CGFA and other sources to implement this study. Specifically, services to be provided to the CGFA by the consultant shall include, but are not limited to, the following:

- If requested, meet in person or via telephone with staff of the CGFA and legislative staffs as needed.
- The CGFA expects to select a consultant by May 22, 2006, and under the terms of the contract expects to require completion of the consultant's report by June 30, 2006, however, the completion date may be revised based on discussions with the selected vendor.
- Contract terms will include certifications by the consultant as required by Illinois state law, including but not limited to, certifications regarding compliance with non-discrimination requirements; anti-bribery, conflicts of interest, revolving-door prohibition and prohibitions against bid-rigging and bid-rotating. Payment under the contract will be subject to appropriation of funds by the Illinois General Assembly. The contract must include the consultant's agreement not to accept other clients or work during the term of the CGFA contract which, in the reasonable opinion of CGFA, may create a material conflict of interest with the work under the CGFA contract.

Response to RFP. All responses to this RFP must respond to the following questions in full. Additional information may be included in responses within the page limits.

- 1. Identification and ownership of firm.** Briefly describe your firm or organization, including the types of work or services provided; identify the headquarters of the firm and its location and any additional offices and their locations, with the total number of staffers at each location. Identify by name the owners, including beneficial owners, of the firm. Briefly describe the background of principal owners or leaders of the firm.
- 2. Experience of Firm and Assigned Personnel.** Describe the work experience and background of the firm and key personnel who would be assigned to the CGFA contract (including the day-to-day contact person, supervisor and staff, with estimates of the percentage of each person's total work time that would be devoted to the CGFA contract over the period of contract inception through completion of the report. Provide particular detail on experience related to publicly owned transportation and toll way systems. State whether the firm and assigned personnel has had any experience relating to the State of Illinois transportation or toll way system and describe any such experience in detail. Describe any experience relating to other states' transportation and toll way systems. State whether the firm and any assigned personnel has had prior experience with or is currently serving any governmental agency in the

State of Illinois or any other private entity or organization with a substantial presence in the State of Illinois; and describe the nature and extent of such work.

3. **Potential Conflicts of Interest.** State whether the firm believes any of its prior or current work would present a potential conflict of interest with the CGFA contract, and if so, whether the firm agrees to terminate any current work which, in the reasonable opinion of the CGFA, would present a potential conflict of interest with the CGFA contract. (Note, see contract terms regarding conflict of interest above.)
4. **Investigations/Litigation.** Indicate whether the firm or any of its principal owners are currently involved or have been involved within the past five years in any criminal or regulatory investigation or material litigation. Briefly describe any such investigation or litigation and any resolution.
5. **References.** Provide at least three references familiar with the work of primary assigned personnel, including contact names and telephone numbers.
6. **Work Approach.** Describe any personal philosophy or beliefs on the role of publicly owned versus privately owned transportation and toll way systems held by principal owners or leaders of the firm and primary assigned personnel. Describe the approach the firm would take to fulfilling the CGFA contract, including identification of any critical information or factors that should be considered in determining the potential value of the Illinois toll way system. Confirm that if selected, the firm would agree to meet the contract terms identified above.
7. **Fees.** Propose the fees you would charge if selected. Note, CGFA will not pay any separate charges for any expenses, including any travel, telephone or office or delivery charges. Fees may be proposed as a not-to-exceed lump sum or on an hourly or other basis; but if on an hourly or other basis, the firm must propose a maximum charge that will not be exceeded.

Evaluation of Proposals. CGFA will evaluate proposals on a variety of factors, including but not limited to the experience of the firm and assigned personnel relating to publicly owned transportation systems. CGFA may ask some respondents to travel at their own expense for oral interviews in Springfield, Illinois or to be available for oral interviews by teleconference. CGFA reserves the right to negotiate best and final fees and contract terms and may reject all proposals.

Appendix

Status of the Illinois State Toll Highway Authority

The Illinois State Toll Highway Authority's new 10-year plan, named the Congestion-Relief Plan, includes the first restructuring of tolls since 1983. The Congestion-Relief Plan is designed to reduce congestion and add capacity by rebuilding, restoring and expanding the Tollway system and utilizing open road tolling. More than 65% of the Authority's roads and structures are more than 45 years old. Under the Plan, approximately 53% of the existing roadway will be reconstructed and 34% will be rehabilitated, including widening and/or reconstruction of the following:

- the Tri-State Tollway from I-394 to 95th, Balmoral to Russell Road
- the Northwest Tollway from the Kennedy to Rockton Road, and
- the Ronald Reagan Memorial Tollway from I-290 to Orchard Road.

Another priority would be to convert the entire mainline system to open road tolling lanes, which are barrier-free and provide non-stop travel for I-PASS users. Under this system, cash-paying customers generally exit the mainline to pay tolls at new plazas located at the sides of the roadway. New construction would occur for the I-355 extension (state and federal permits and approvals would lapse if construction doesn't begin by 2007).

This 10-year plan is expected to cost \$5.3 billion, using \$2.9 billion in bond revenues and \$2.4 billion pay-as-you-go funding. There is no dollar amount limit on the Authority's bonding, with a 25-year maximum maturity allowed [605 ILCS 10/17]. Tollway bonds are not backed by the State, but the Governor must approve bond sales.

Prior to the adoption of the Congestion-Relief Plan, a report by Fitch Ratings, *Redefining Toll Roads: An American Challenge*, March 4 2003, stated that Illinois' toll road needed major reinvestment.

“...The deferral of major capital improvements creates a concern for the management of future expenditure and debt levels. While the Authority is in excellent financial position with which to embark upon a capital reinvestment phase for its mature facilities, the outcome of future reviews could well hinge on its ability to implement such a plan...While the current rating level (AA-) anticipates the need for additional debt service issuance, a series of toll rate increases, and lower debt service coverage from recent levels, it does not anticipate the continued absence of long-term capital reinvestment. The longer the plan is deferred, the more expensive it becomes.”

As of January 1, 2006, the Tollway's outstanding principal was \$1.382 billion, after selling \$770 million of bonds in June. S&P affirmed its AA- rating of the Authority's debt due to the conservative estimates of revenues which account for diversions in traffic, and their ability to increase tolls as needed. Moody's raised its rating to Aa3 from A1, citing the clear financing plans for the capital project. Fitch, who rates the Tollway's

debt AA-, changed their outlook from negative to stable since the Tollway has lowered its revenue projections and debt service projections for 2005 while still being able to cover expenditures and maintain a reasonable 2.0x (times) coverage of debt service. The Tollway plans to sell another \$700 million in bonds in 2006.

Final principal payment on previous outstanding bonds is due on January 1, 2017, while the debt on the new bonds will be paid off January 1, 2023. Below is the current debt service of the Tollway.

Current Toll Highway Bond Debt Service (in millions)			
Year Ending January 1	Debt Service on Outstanding Bonds	Debt Service on \$770 million	Total Debt Service
2006	\$79.6	\$19.7	\$99.4
2007	\$79.7	\$37.6	\$117.3
2008	\$79.9	\$37.6	\$117.5
2009	\$80.0	\$37.6	\$117.6
2010	\$70.0	\$37.6	\$107.6
2011	\$72.2	\$37.6	\$109.8
2012	\$72.2	\$37.6	\$109.8
2013	\$72.2	\$37.6	\$109.8
2014	\$72.2	\$71.0	\$143.2
2015	\$72.2	\$71.0	\$143.2
2016	\$72.1	\$71.0	\$143.1
2017	\$72.2	\$71.0	\$143.2
2018		\$122.9	\$122.9
2019		\$122.9	\$122.9
2020		\$122.9	\$122.9
2021		\$122.9	\$122.9
2022		\$122.9	\$122.9
2023		\$122.9	\$122.9
TOTAL	\$894.5	\$1,304.30	\$2,198.9

According to the Illinois Toll Highway Authority, the Tollway has lowered its expectations of 2005 revenues including revenues from the higher toll rates (in effect as of January 1, 2005) to \$618 million, down from the expectation of \$630 million. Toll revenues and evasion recovery were to bring in \$613 million in FY 2005, but are now expected to bring in only \$595 million. The reduction in revenues is attributed to two things: a greater construction impact on traffic than expected, and the quicker than expected transfer of passenger vehicles to the electronic I-Pass system (which had no increase in tolls). Patrons paying cash did see an increase in tolls, so many switched to the I-Pass system, therefore lowering expected toll revenues because fewer cars are paying the increased toll amount. The Traffic Engineers for the Tollway, Wilbur Smith and Associates, have made adjustments to their toll revenue analysis to reflect this change. However, this loss in expected revenue is offset by the fact that fewer trucks diverted their routes from the Tollway than was expected, increasing expected revenue in that line. FY 2006 revenues are estimated to be \$624 million, of that \$603 million would be from toll revenues and evasion recovery.

Lower revenues are offset by lower debt service than expected. FY 2005 budgeted for \$120 million of debt service to pay on outstanding debt and a \$1 billion sale of bonds. Bonds sold equaled \$770 million, and debt service only \$99 million. On March 30, 2006, the Tollway Board approved the sale of up to \$1 billion of bonds for April or early May due to low interest rates and favorable market conditions. The Tollway plans to sell a minimum of \$700 million in bonds, which would increase FY 2006 debt service to approximately \$130 million (\$117 million for principal and \$13 million for interest). Expected net revenues of \$404 million available to pay debt service would give debt service coverage of 3.1 times. During FY 2006 the Tollway expects to spend \$1.2 billion on its capital program.

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