

The Compass

Chapter 12
55+ years
1955 –

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Chapter 12 Spring Business Meeting Thursday, May 8, 2014



Pinstripes

7 Oakbrook Center, Oak Brook, IL 60523

Please join us for the IRWA Illinois Chapter 12 Spring Business Meeting. This meeting will include Quarterly Chapter Business, Officer Elections & Installation and presentations by:

Mark Mathewson – Owner, Mathewson Right of Way Company

“Norfolk Southern Railway Company
47th Street Intermodal Facility Expansion Project”

Steve Schilke - Illinois Department of Transportation “Illiana Corridor”

11:30 a.m. - 12:00 p.m. - Business Meeting

12:00 p.m. - 1:00 p.m. - Lunch

1:00 p.m. – 4:00 p.m. Speakers & Officer Elections & Installation

4:00 p.m. – 6:00 p.m. Social Hour (cash bar) & Bocce Ball

Registration Due May 1, 2014

\$35.00

President's Message



We are finally leaving winter behind and heading toward the greener times of spring and summer.

With spring, comes the Spring Forum and this year the Ohio Chapter is hosting the Forum in Cincinnati. The Forum will be held on April 4-6, 2014 at the Hilton Cincinnati Netherland Plaza.

Our next meeting will be May 8, 2014 at Pinstripes in Oak Brook. At this meeting we will have Officer Elections and Installations and I will be handing the presidential gavel over to Rachel Bricout. It has been a privilege to be your President. My plan is to remain active in the chapter and to assist the leadership team as much as they need. Please remember we are taking nominations now through April for a member to join our board as treasurer and secretary.

I hope to see you in the future at our different events.

Sincerely,

Laura Moonshower
President – Chapter 12



Education

505: Advanced Residential Relocation Assistance

A thorough examination of specific issues, applications and theory in residential relocation assistance as they relate to the Uniform Act.

Date: 06/16/2014
Course Level: Advanced
CEU Credits: 8.00
Course Length: 1 day – 8:00 AM – 5:00 PM
Tuition: \$265.00 Member / \$330.00 Non-Member
Late Registration Fee of \$25.00 after: 06/02/2014
Instructor: Clyde B. Johnson, SR/WA, R/W-RAC, R/W-URAC
Course Coordinator: Omer Moore, R/W-NAC, R/W-RAC
Email: omer.moore@illinois.gov
Class Facility Location: Illinois Department of Natural Resources
Lake Level A & B
One Natural Resources Way
Springfield, IL 62702
Phone: (217) 524-3758

506: Advanced Business Relocation Assistance

A thorough examination of specific issues, applications and theory in business relocation assistance as they relate to the Uniform Act.

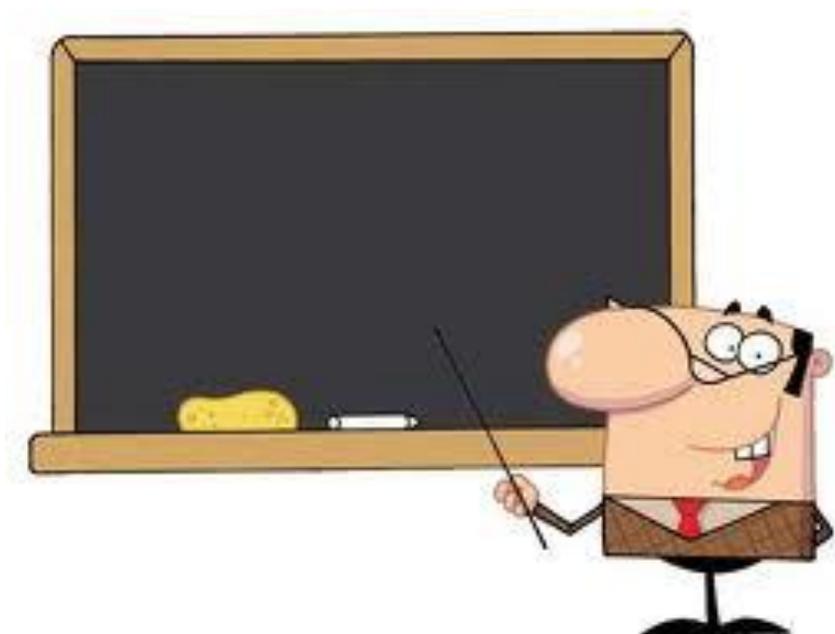
Date: 06/17/2014 – 06/18/2014
Course Level: Advanced
CEU Credits: 16.00
Course Length: 2 days - 8:00 AM - 5:00 PM Daily
Tuition: \$415.00 Member / \$520.00 Non-Member
Late Registration Fee of \$25.00 after: 06/03/2014
Instructor: Clyde B. Johnson, SR/WA, R/W-RAC, R/W-URAC
Course Coordinator: Omer Moore
Email: omer.moore@illinois.gov
Class Facility Location: Illinois Department of Natural Resources
Lake Level A & B
One Natural Resources Way
Springfield, IL 62702
Phone: (217) 524-375

More information including hotel accommodations available at: <https://www.irwaonline.org/>

421: The Valuation of Partial Acquisitions

Addresses special challenges involved in the valuation of partial acquisitions, both fee and easement. The participant will learn various accepted appraisal methods in order to best determine the approach that is needed in any particular situation

Date: August 2014
Course Level: Advanced
CEU Credits: 32.00
Course Length: 4 days - 8:00 AM - 5:00 PM Daily
Instructor: David Maturen, SR/WA
Course Coordinator: Omer Moore
Email: omer.moore@illinois.gov
Class Facility Location: Illinois Department of Natural Resources
Lake Level A & B
One Natural Resources Way
Springfield, IL 62702
Phone: (217) 524-375



Welcome New Members!

Scott Davis – BW Field Services

Patrick Holtrop – HDR Engineering

Patrick Collins – American Appraisal

Kim Polk – HDR Engineering

Billy Abernathy – Shawnee Professional Services

Dan Field – Shawnee Professional Services

Jayce Thompson – Shawnee Professional Services

Patricia McGarr - CohnReznick



Congratulations!

The chapter's newest SR/WAs!

William McIntyre

Kurt Anheuser

Alice Johnson



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2014 Region 5 Spring Forum
April 4-6, 2014
Cincinnati, Ohio



Hilton Cincinnati Netherland Plaza
35 West Fifth Street
Cincinnati, Ohio 45202
(513) 421-9100

Register with IRWA Chapter 13

Room Fee: \$139.00 plus tax
Room Block under: IRWA Spring Forum

Right of Way 480 (Project Economics): Understanding the Impact of Inflation

By: Mike Penick, SR/WA, Education Chair and Facilitator

The process of planning a project is not nearly as difficult as the process of budgeting for it. In both cases, we are dealing with unforeseen events. However, only with project budgeting do these circumstances continue, and a major reason for this is because of **inflation**.

What exactly is inflation? According to The Browser's Dictionary, inflation is "the increase of prices on goods and services during a measured period of time." The preferred method of comparison of prices is through the use of ratios, with a calculated index as the final outcome. You will soon understand why all of this is important. Let's work through an example.



Remember going to see "Return of the Jedi" in 1983 at the Showcase Cinemas (or whatever movie theater you went to)? You saw the eight o'clock evening feature, and one ticket to see this movie in 1983 was \$3.15 (according to *Moviefone.com*). Now, fast forward to today, where you went to see "The Hobbit" in 2014 at the Stony Brook Cinemas. Again, you select the eight o'clock evening feature, but now this ticket costs \$8.75.

What is the **percentage of inflation** between the two? Well the math is

simple enough; just take the 1983 price and divide it over the 2014 price. Thus, $\$3.15/\$8.75 = 36\%$. So, the percentage of inflation is 36% for eight o'clock movie tickets from 1983 to 2014. (*certis paribus*)

But we are not done yet; we now know the percentage of inflation, but what is the **rate of inflation** for these eight o'clock movie tickets? Well, let's determine how many years it took to go from \$3.15 to \$8.75. That's 2014 minus 1983 for a total of 31 years. Next, take difference between the price of both tickets (which is \$5.60) and divide it by 31 years, which will give us an inflation rate of 0.181 (rounded to 0.18). This tells us that the cost of eight o'clock evening movie tickets increased **every year** in price from 1983 to 2014 at a rate of \$0.18. (*It's important to always state the exact range and parameters for the period in question.*)

This computed rate can now assist in projecting previous and/or future eight o'clock movie ticket costs. We can deduce that the price of a movie ticket in 1982 was \$2.97 (subtracting one year of the rate from the 1983 base), and the price of a movie ticket in 1990 was \$4.41 ($[1990 - 1983] \times \$0.18 = \1.26 , the added to the base of \$3.15). **Deflating** works by using the bases in reverse. What was the price of a movie ticket in 1990? Using the formula as a deflator, take $[2014-1990] \times \$0.18 = \4.34 , then subtract it from today's base of \$8.75, and you get \$4.41. (*Note: Deflating is not the same as "deflation" for the purposes of this article.*)

What will the price of movie tickets be in the year 2020? Well, today's base is \$8.75. We take $[2020 - 2014] \times \$0.18 = \1.08 , which we add to today's base for a total of \$9.83, which is the projected cost of a movie ticket in 2020.

We do not have to go through the rigor of finance mathematics to determine rates of inflation on products and services. I choose to do it mainly to demonstrate how the value of a dollar today does not go nearly as far as it used to. In the United States, the Bureau of Labor Statistics (a branch of the federal government) establishes the Consumer price Index (annual change), which is used by most as the standard measurement of inflation.

I bring this issue up because we typically do not discuss inflation as we budget (or price) projects. Whatever we budget in 2014 will not be reliable in 2017. The reverse is also true: what you priced in 2011 should be revised to reflect today's rate of inflation.

Consider this next point: think about the last time you went to the grocery store, and purchased twenty items. Those same twenty items just last year are probably costing more if you stayed with the exact same brand, weight, size and store. Yet a problem occurs: as you grab specific brands, often the product has changed in some manner and you may not be aware. Those Hefty garbage



bags that cost you \$3.00 last year may have had 15 bags in them, whereas this year the same box of Hefty garbage bags that cost the same \$3.00 may now only have 13 bags in them. The price of a Del Monte can of corn for \$0.89 this year may be the same cost it was three years ago, but have you checked the size of the can? This year's can is 13.75 oz., yet three years ago the size was 14.5 oz. See the subtle difference? It's the same with the price of beef, chicken and pork. Sure, the weight is a variable consideration, but the pricing rate has

definitely increased. Wonder why? Well remember, the cost of grain to feed the animal has increased, along with the increased costs of labor, shipping, heating/treating and cooling the meat. There are numerous factors to take into consideration when budgeting and pricing!

So what does this have to do with our industry? Whether you recognize it or not, inflation has everything to do with right of way. As you prepare to make a bid on projects, are you taking into consideration ALL of the inflation factors that impact your budget? For example: traveling back and forth on a project. Gasoline, maintenance, and insurance are all higher today. You are probably thinking "Mike, you're stating the obvious". But at the time of planning out these things, is it really obvious?

We as agents tend to focus our energies on the appraisal, acquisition, and relocation of a parcel. Most times we do not consider inflation as a factor in our work on a conscious level; we usually leave that to the "bean counters". It may be planted in our subconscious, or hit us as a fleeting thought. However, the point is inflation should be a factor as you plan projects and prepare your budgets.

Take a good look at the following picture:



(Broad Run Road Bridge crossing Back Run Creek, leading to Floyds Fork)

This is a bridge on Broad Run Road in Jefferson County. The road on the bridge is in bad shape and in dire need of repair. However, the bridge itself has been past due for replacement for (more than) five years. Will it now cost more to replace this bridge today that it would have five years ago? ABSOLUTELY! The cost of materials (stone, timber, steel, concrete), labor (framing, forming, cutting, welding) and variants (inspections, certifications, boring, testing) are definitely higher now than five years ago. This is why it is important to begin projects on time as soon as the funding is available. Also, this is important to explain to others who do not understand why a project priced five years ago is not and will not be the same projected cost today (*certeteris paribus*).

Furthermore, if the new bridge will be wider than the original, we may need more right of way from impacted land owners. No inflation there, right?

Any questions, comments, or complaints, send them to me. If not, 'til next time...CLASS IS DISMISSED! ---Professor Mike P

**(certeteris paribus = all things equal/constant)*

Chapter 12 Committees

Service Committees

Communication & Marketing:

Education Chair:

Member:

Ethics:

Membership:

Nominations & Elections:

Professional Development Chair:

Lindsey Kosner & Lisa Krenz

Robin Upchurch

Omer Moore

Vacant

Tara Brown

Dave Sommerfeld

Brad Krabel

Education Committees

Asset Management:

Environment:

Legal/Legislative:

Local Public Agency:

Pipeline:

Relocation:

Survey & Engineering:

Transportation:

Utilities:

Valuation:

Vacant

Vacant

John Ammons

Vacant

Dave Sommerfeld

Tanya Johnson

Mike Filipski

Carlos Molina

Patti Killinger

Neil Steffens



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| <p>Corporate Office: Elgin, IL (847) 697-6700</p> | <p>HLR</p> <p>HLR is one of the few engineering firms offering a full service land acquisition department. Let our team of experts guide your next transportation project through the right-of-way acquisition process.</p> | <p>We're committed to our communities.</p> <p>At HLR, we support our clients, the communities we serve, and work hard to make a measurable impact in all that we do.</p> <p>And that's something worth being passionate about.</p> <p>Visit our website: www.hlrengineering.com</p> |
| <p>IL Capital Office: Springfield, IL (217) 546-3400</p> | | |
| <p>South Suburban Office: Romeoville, IL (847) 697-6700</p> | | |



EDUCATION CONFERENCE

HARTFORD 2014

JUNE 22-25

Welcome to the International Right of Way Association's 60th Annual International Education Conference held in Hartford, Connecticut, at the Connecticut Convention Center. We invite you to attend this valuable industry event and take advantage of the many educational and learning opportunities, as well as the networking events that have been planned just for you. Please feel free to contact us if you have any specific questions regarding the annual conference, and check our website often for updates regarding our plans as we continue mapping out your educational event of the year!



Treasurer's Report

Susan Kedzie
Treasurer

2014 1st Quarter Report

| | |
|--------------|-------------|
| Income | \$2,919.14 |
| Expenses | \$1,769.62 |
| Net Gain | \$1,149.52 |
| Cash Balance | \$32,276.80 |



Welcome to Region 5
"The Quality Region"

Have you checked out the Region's website lately? Stay up to date on all the news and activities from around the region.

<http://www.irwaregion5.org/>

Illinois - Indiana - Kentucky - Michigan - Ohio - West Virginia - Wisconsin

Calendar of Events

April

4-6: Region 5 Spring Forum

May

8: Chapter 12 Spring Business Meeting

June

16: Course 505

17-18: Course 506

22-25: Annual International Education Conference

July

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April 2014

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June 2014

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July 2014

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