

Minutes of the Finance Committee Meeting

The Finance Committee of the McLean County Board met on Tuesday, June 4, 2002 at 5:30 p.m. in Room 700 of the McLean County Law and Justice Center, 104 W. Front Street, Bloomington, Illinois.

Members Present: Chairman Sorensen, Members Arnold, Berglund, Kinzinger, Rodman and Renner

Members Absent: None

Staff Present: Mr. John M. Zeunik, County Administrator; Ms. Lucretia Wood, County Administrator's Office; Mrs. Carmen I. Zielinski, County Administrator's Office

Elected Officials/

Department Heads: Mr. Don Lee, Director, McLean County Nursing Home; Mr. Bob Keller, Administrator, Health Department; Ms. Sandra Parker, Circuit Clerk

Others Present: Mr. Paul Brown, First Midstate, Inc.; Ms. April Kinzinger, Director of Development, Cornerstone Christian Academy; Ms. Becky Shames, Administrator, Cornerstone Christian Academy; Mr. Dan Cole, Secretary of the Cornerstone of the Board of Director and Chairman of the Building Committee, Cornerstone Christian Academy.

Chairman Sorensen called the meeting to order at 5:30 p.m. The minutes of the May 7th and May 21st, 2002 Finance Committee meetings were accepted and placed on file as presented.

Mr. Don Lee, Director, Nursing Home, presented the Nursing Home Monthly Report for May. Mr. Lee stated that May can be considered a deficit month due to the decrease in census. Revenue went down in the interest line and the Medicare census also decreased. The census as of today was 132, which can still be considered on the low side.

Ms. Berglund asked how far behind the State reimbursement cycle was. Mr. Lee responded that the State was 103 days behind, compared to 114 days last month.

Mr. Lee referred to the Governor's budget. Mr. Lee stated that the Nursing Home belongs to three associations that keep an eye on the issues in Springfield. Mr. Lee stated that he had received estimates that the Medicaid budget cuts may be anywhere from of 4.5% to 5.9%. Mr. Lee noted that the County Nursing Home Association has learned that money will be transferred from the Federal Intergovernmental Fund Transfer. This transfer will produce an estimated increase of 10% to the State and will offset the proposed reductions in State funding. Mr. Lee will keep the Committee informed.

Mr. Rodman noticed that the report shows 25 empty beds. With this figure consistently showing on the report, what impact is the high number of empty beds having on the

Nursing Home staffing. Mr. Lee answered that some cut back on overtime has occurred but

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no staff has been released because this number can change in a matter of hours. The Nursing Home staff adjusts, during the period of low census, by maintaining staffing at the level that is regularly maintained. When an employee calls in sick or takes the day off, the census number is checked and a decision is made if there is a need to have someone called-in to replace the employee or will the present staff cover the shift safely. This cuts back on overtime expense and the need to use outside agencies.

Mr. Bob Keller, Administrator, Health Department, requested approval of a Resolution amending the Fiscal Year 2002 McLean County Full-Time Equivalent Position resolution associated with an Ordinance to Amend the Fiscal Year 2002 McLean County Combined Appropriation and Budget Ordinance for fund 0107. Mr. Keller noted that the Illinois Department of Public Health awarded McLean County a Bioterrorism Preparation and Planning Grant in the amount of \$40,000.00 to cover the period of May 1, 2002 through August 30, 2003. These funds will be utilized to generate a comprehensive bioterrorism plan. The department plans to increase the fulltime equivalent of the Quality Assurance Coordinator to take on the responsibility of further developing, integrating and coordinating the department's bioterrorism response plan with other community responders and the Illinois Department of Public Health's statewide plan. The position will work closely with a coalition of community stake holders and Illinois Department of Public Health's regional bioterrorism staff.

Motion by Berglund/Kinzinger to recommend approval of a resolution amending the Fiscal Year 2002 McLean County Full-Time Equivalent Position Resolution associated with an Ordinance to Amend the Fiscal Year 2002 McLean County Combined Appropriation and Budget Ordinance for fund 0107, and approval of an Ordinance of the McLean County Board Amending the 2002 Combined Appropriation and Budget Ordinance for Fund 0107. Motion carried.

Chairman Sorensen noted that County Treasurer, James Boylan was not present due to the fact that first installment property tax bills are due on Wednesday, June 5th. Treasurer's Reports will be handle at a Stand-Up before the regular County Board meeting.

Ms. Sandra Parker, Circuit Clerk, presented a request for approval to increase the Circuit Clerk's Operating Bank by \$600.00 for the Associate Division due to the handling of large bills.

Motion by Kinzinger/Renner to recommend approval of the request to increase the Circuit Clerk's Operating Bank by \$600.00 for the Associate Division. Motion carried.

Mr. Zeunik stated that he and Chairman Sorensen had the opportunity to meet with the representatives from Cornerstone Christian Academy about two weeks ago. At that time,

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they presented a request for approval of a Resolution Authorizing the Execution of a Memorandum of Agreement for the Cornerstone Christian Academy Project. Mr. Zeunik explained that the Cornerstone Christian Academy would like for McLean County to issue a tax-exempt conduit special revenue bond financing. The Bond would be a Qualified 501(c)(3) Bond, with the proceeds being loaned by the County to Cornerstone Christian Academy to finance Phase I of the new campus. Mr. Zeunik explained that the site for this project was located on Ireland Grove Road, about three miles east of Towanda-Barnes Road. In this instance, the County would be the local government with jurisdiction over this request. Mr. Zeunik clarified that even though McLean County is not a home-rule government, the County is not required, for this type of financing to ask for an allocation from the state and, no form of referenda would be needed if the County Board wishes to approve this agreement. The sole impact on the County would be the limitation as to the amount of tax-exempt bank-qualified bonds sold in any one year. Mr. Zeunik explained that if the County Board goes forward with the approval, there would be an impact between the time these bonds are sold and the end of the year if another request was made. The County would be limited as to the amount of tax-exempt bank-qualified debt that could be sold.

Chairman Sorensen commented that he looked into a few of the factors regarding this issue. Chairman Sorensen considered whether or not being supportive of this request and using part of the County's \$10 million annual cap would be detrimental to the County in the future. The only situation that the County may need to consider issuing tax-exempt bonds for would be the renovation of the Old Courthouse, but even that would not put the County over the \$10 million limit. Mr. Zeunik stated that this is the first he is aware of this type of request being made of McLean County. The City of Bloomington and the Town of Normal have provided this type of financing for a 501 (c)(3) not for profit corporation.

Mr. Arnold asked who would indemnify this loan. Mr. Zeunik referred the question to Mr. Paul Brown, First Midstate, Inc., Investment Banker. Mr. Brown stated that the County would not be liable to repay any debt on the principal or interest for the bond issue. Mr. Brown stated that the agreement would incorporate a legal opinion from the bond counsel, Ice Miller Legal of Indianapolis, Indiana, that would state that the documents are in order and that the bond has been declared a tax-exempt bond issue and that all the proper proceedings have been accomplished by Cornerstone and McLean County, in accordance with State and Federal law.

Mr. Brown referred to a letter written by Mr. Jeffrey Lewis, Ice Miller, on May 23, 2002. Mr. Brown confirmed that the letter from Mr. Lewis does make reference that Cornerstone Christian Academy agrees to indemnify the County for any expenses or fees incurred in connection with any litigation relating to the Bonds.

Mr. Arnold asked how was Cornerstone financing this project. Mr. Brown answered that the total estimated project was \$4.5 million for Phase I, with \$1 million already pledged towards the \$4.5 million.

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Mr. Arnold asked when was the enrollment projection documented in the agenda packet prepared. Ms. Becky Shammes, Administrator, Cornerstone Christian Academy, answered that the projection was done about two weeks ago. Ms. Shammes stated that enrollments are still being accepted.

Mr. Arnold again asked who was going to indemnify the loan. Mr. Brown answered that the loan would not be insured, but in all of the documents, it will be clearly stated that McLean County would not have any financial responsibility to make any type of payment towards the repayment of the bonds. Mr. Brown stated that the present plan was to find a conduit financing entity, like McLean County. The sale of the tax-exempt bonds would be negotiated as a private placement, so the Commercial Bank who buys the bonds would sign a "Big Boy" letter, which states that they have accessed the risks with this type of transactions.

Mr. Arnold commented that if Cornerstone Christian Academy defaulted on the loan, who would make the loan payments. Mr. Brown answered that Cornerstone would pledge the 78 acres of land plus the building that would be built, as collateral. The repayment of the loan would be a risk that the bank would take because Cornerstone Christian Academy has demonstrated to the bank's satisfaction the ability to repay the debt service. Mr. Arnold asked if McLean County could require some type of insurance. Mr. Brown answered that insurance would need to be purchased because this would be negotiated, private placement. Mr. Brown explained that the bonds would not be traded.

Mr. Rodman wondered how Cornerstone Christian Academy would benefit from this since they could go out and borrow the funds from the bank on their own, since they are a tax exempt association. Mr. Brown answered that the financial benefit to Cornerstone, assuming the \$3.5 million bond issue over twenty years, would be over \$1 million in interest saved by being able to do a tax-exempt bond versus a taxable loan. The difference being that the interest earned by the commercial bank or banks that hold the bonds would be exempt from federal income tax. Chairman Sorensen clarified that the agencies buying the bonds have their income declared tax-free from federal income tax, so the entity that purchases the bonds would be willing to pay the lower interest rate in exchange for the tax-exempt status. Mr. Brown noted that, as the first step to qualifying for this project, Cornerstone has to be classified as 501(c)(3), which they are, but even under this classification, they cannot go out and issue these bonds on a tax exempt basis without using a conduit like McLean County.

Mr. Arnold asked, if they pledge the land and the building as collateral for this loan and default on the loan, who winds up owning the land and the building. Mr. Brown answered that the bank would own the land and the building.

Mr. Rodman wondered if Mr. Eric Ruud, Chief Civil Assistant State's Attorney, had reviewed these documents. Mr. Zeunik answered that as of this afternoon, Mr. Ruud had not had an opportunity to talk to Mr. Lewis regarding this project. Mr. Zeunik stated that he would check with Mr. Ruud to see how he had progressed on the review.

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Mr. Rodman clarified that the impact of this request would be that McLean County would approve Cornerstone using the County's tax-exempt name and the County would not be accountable for anything. Mr. Renner stated that this could be a way of establishing some economic development in the County.

Chairman Sorensen clarified that the request being presented to the Finance Committee this afternoon would not be considered as "final action." Mr. Zeunik stated that this request is called an "Inducement Resolution." Mr. Brown explained that the inducement resolution would solidify that McLean County would be on board to help facilitate this transaction and loan its tax-exempt status to Cornerstone. Typically, with an inducement resolution, a maximum amount would be identified, a public hearing would have to be held, and an ordinance would have to be adopted to formally approve the decision.

Mr. Arnold stated that presumably, the property used for this facility would come off the tax rolls and would not pay real estate taxes any longer. Ms. Kinzinger stated that the property would come off the tax rolls in 2003, because the Christian Academy owned the property as of January 2002. Mr. Kinzinger explained that the Christian Academy would be paying taxes on the property in the year 2002, but not 2003.

Motion by Renner/Berglund to recommend approval of the
Inducement Resolution Authorizing a Memorandum of Agreement
(Cornerstone Christian Academy Project), contingent upon the
review and approval of the State's Attorney's Office.

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| Mr. Arnold - | Nay |
| Mr. Kinzinger - | Abstained |

Motion carried, 3-1-1.

Mr. Zeunik informed the Finance Committee that the County was required, by State law, to publish in June the Prevailing Wage Rate Ordinance. The Prevailing Wage Rate for McLean County were recently published on the State of Illinois Website. All of this information will be provided to the Committee in their County Board packet and for approval at a Stand-Up Committee meeting.

Mr. Renner announced that he would not be present at the June 18, 2002 County Board. This would be the first County Board meeting he would miss.

Chairman Sorensen presented and recommended payment of the bills as submitted by the County Auditor.

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Motion by Berglund/Arnold to recommend approval
of the bills as presented by the County Auditor.
Motion carried.

There being nothing further to come before the Committee at this time, Chairman
Sorensen adjourned the meeting at 6:05 p.m.

Respectfully submitted,

Mrs. Carmen I. Zielinski

Recording Secretary

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