

MINUTES OF THE RESCHEDULED QUARTERLY MEETING
OF THE
PUBLIC BUILDING COMMISSION OF McLEAN COUNTY, ILLINOIS

Tuesday, January 5, 2021, at 2:30 p.m.

The Public Building Commission of McLean County, Illinois (the "Commission") was called to order by Chairman Novosad on January 5, 2021. As a result of the COVID-19 pandemic, Governor J.B. Pritzker's Executive Order 2020-07, as subsequently amended, as well as pertinent regulations issued by the Illinois Department of Commerce & Economic Opportunity as a part of its "Restore Illinois" Plan, the meeting was held virtually. The Commission utilized McLean County's Go-To-Meeting platform, which allowed the general public to view the meeting via McLean County's YouTube page. The general public was invited to submit written questions or comments to the Commission in advance of its meeting.

Secretary Morel called the roll with the following members answering "present": Novosad, Morel, Farnsworth, Schultz, Harris, Reid, and Fruin. Mr. Fazzini arrived to the meeting at 2:50 p.m. Mr. Zimmerman was absent.

Also present were Commission Attorney Robert Porter; Commission Treasurer James Mulligan; County Administrator Camille Rodriguez; Assistant County Administrator Cathy Dreyer; and County IT Director Craig Nelson.

No members of the media, press, and/or radio were present.

Chairman Novosad began the meeting by presenting the Minutes of the October 6, 2020 Rescheduled Meeting of the Commission for approval. Chairman Novosad asked if there were any questions, additions, and/or revisions to the Minutes. Hearing none, Chairman Novosad asked for a Motion to approve the Rescheduled Meeting Minutes. It was moved by Mr. Harris and seconded by Mr. Farnsworth that the Minutes of the October 6, 2020 Rescheduled Meeting be approved as submitted. Chairman Novosad asked for a vote on the Motion to approve the Minutes and the Motion was unanimously approved by voice vote.

Chairman Novosad next presented the Minutes of the October 6, 2020 Rescheduled Reorganizational Meeting of the Commission for approval. Chairman Novosad asked if there were any questions, additions, and/or revisions to the Minutes. Hearing none, Chairman Novosad asked for a Motion to approve the Rescheduled Reorganizational Meeting Minutes. It was moved by Mr. Fruin and seconded by Mr. Farnsworth that the Minutes of the October 6, 2020 Rescheduled Reorganizational Meeting be approved as submitted. Chairman Novosad asked for a vote on the Motion to approve the Minutes and the Motion was unanimously approved by voice vote.

Chairman Novosad then called on Commission Treasurer James Mulligan to present the Treasurer's Report for the fiscal year. Mr. Mulligan initially noted that the Treasurer's Report was current as of December 31, 2020. Mr. Mulligan indicated that the Treasurer's Report featured up-to-date interest earnings on a majority of the Commission's bank accounts. Mr. Mulligan noted that the

aforementioned interest earnings ranged from .1% to nearly three-percent (3%).

Mr. Mulligan next noted that the Commission's approximately one million seven hundred thousand dollar and 00/100 (\$1,700,000.00) three (3)-month C.D. at Morton Community Bank was scheduled to mature on January 28, 2021. Mr. Mulligan then indicated that he would inquire with Morton Community Bank as to its current rates. Mr. Mulligan added that, if rates have not changed since October 2020, the Commission would simply renew its three (3)-month C.D.

In addition to the foregoing, Mr. Mulligan indicated that, since the Commission's last meeting on October 6, 2020, the Commission had received the County's fourth (4th) and first (1st) payments under the Capital Improvement Agreement and Second Capital Improvement Agreement, respectively. Mr. Mulligan added that, since the Commission last met, it had made its final principal and interest payment on the Series 2010 Public Building Refunding Bond Issue. Mr. Mulligan also noted that the Commission had recently made the final six (6) months of 2020 operation and maintenance payments to the County.

Mr. Mulligan lastly indicated that the Commission's disbursements were featured on page thirteen (13) of the Treasurer's Report.

Chairman Novosad then asked if there were any questions or comments for Mr. Mulligan on the Treasurer's Report. Hearing none, Chairman Novosad asked for a Motion to approve the Treasurer's Report. It was moved by Mr. Schultz and seconded by Mr. Harris to approve the Treasurer's Report and proposed payments as submitted. Upon a roll call, all Commissioners voted in favor of the Motion.

Chairman Novosad turned to the Commission's "Old Business" and asked Commission Attorney Robert Porter to address the capital improvements to the Old Courthouse as well as the proposed Amended Third Capital Improvement Agreement.

Mr. Porter reminded the Commission that the County had been discussing replacing the roof and drainage system at the Old Courthouse for nearly two (2) years. Mr. Porter then noted that the roof's rubber membrane had completely failed and outlived its useful life by approximately five (5) years. Mr. Porter added that the roof's failure had caused water to leak into the Old Courthouse's ceiling during heavy rains. Mr. Porter further relayed that the Old Courthouse's internal drainage system is significantly compromised. Mr. Porter stated that the drainage system features four (4) cast iron downspouts. Mr. Porter noted that the poor condition of these downspouts had caused water to enter the building, which in turn had caused significant damage to plaster ceilings and walls.

Mr. Porter then reminded the Commission that, over this past summer, McLean County had retained Paul Scharnett of Scharnett Associates Architects, LLC. to serve as the architect on this Project. Mr. Porter further reminded the Commission that Mr. Scharnett provided a presentation to the Commission at its October 6th meeting. Mr. Porter further recounted that the Commission approved a Third Capital Improvement Agreement with McLean County at the October 6th meeting. Mr. Porter stated that, pursuant to this Agreement, the Commission lent the County twenty-eight thousand eight hundred dollars and 00/100 (\$28,800.00) to be repaid in ten (10), annual installments of two thousand eight hundred dollars and 00/100 (\$2,800.00) at no interest. Mr. Porter reminded the Commission that this sum encompasses Mr. Scharnett's fees on the Project.

Mr. Porter then noted that the requests for proposals for the roofing and drain work were still

outstanding when the Commission last met. Mr. Porter specifically stated that the bid opening took place on October 8th and that Western Specialty submitted the low bid of five hundred ninety-eight thousand dollars and 00/100 (\$598,000.00). Mr. Porter indicated that the County has formally accepted Western Specialty's bid and is working on reviewing and negotiating the contract. Mr. Porter then stated that he had been given an opportunity to review the contract and offer appropriate revisions to protect the Commission's interests.

Mr. Porter noted that, in order to fund the Project, the Commission had been asked to amend the Third Capital Improvement Agreement to include the five hundred ninety-eight thousand dollar and 00/100 (\$598,000.00) low bid. Mr. Porter thus noted that the Amended Third Capital Improvement Agreement would be in the amount of six hundred twenty-six thousand eight hundred dollars and 00/100 (\$626,800.00), to be repaid in ten (10), annual installments of sixty-two thousand six hundred eighty dollars and 00/100 (\$62,680.00), at no interest, beginning in 2022.

Mr. Porter lastly added that he is a member of the Board of the McLean County Historical Society, which occupies the Old Courthouse as a sub-tenant of McLean County. Mr. Porter noted that he has disclosed this affiliation to the Commission in the past. Mr. Porter then underscored that he had not, and would not, be an active participant in discussions with Historical Society Board Members or staff concerning this work. Mr. Porter indicated that he would never place the interests of another individual, organization, or entity ahead of his fiduciary obligations to the Commission. Mr. Porter further noted that Mr. Fazzini is a member of the Board of the McLean County Historical Society. (Mr. Fazzini was not present for this portion of the meeting.)

Chairman Novosad then asked County Administrator Camille Rodriguez whether she had any additional comments concerning the capital improvements to the Old Courthouse or the Third Amended Capital Improvement Agreement. Ms. Rodriguez noted that the commencement of the actual roof and drainage work would be heavily weather dependent. Ms. Rodriguez also indicated that the County would be working closely with the City in securing all necessary permits for the work.

Chairman Novosad then asked if there were any questions or comments for either Mr. Porter or Ms. Rodriguez concerning the capital improvements to the Old Courthouse or the Amended Third Capital Improvement Agreement. Hearing none, Chairman Novosad asked for a Motion to approve the Amended Third Capital Improvement Agreement. It was moved by Mr. Farnsworth and seconded by Mr. Harris to approve the Amended Third Capital Improvement Agreement. Upon a roll call, all Commissioners voted in favor of the Motion. (Of note, Mr. Fazzini did not participate in the vote as he was not present for this portion of the meeting.)

Chairman Novosad then turned the Commission's attention to its "New Business." Chairman Novosad specifically asked Ms. Rodriguez to address possible future uses of the Fairview Building, possible future Commission projects, as well as the status of operation and maintenance issues with respect to Commission-owned properties.

Ms. Rodriguez first (1st) addressed the subject of the Fairview Building. Ms. Rodriguez noted that County Board Chairman John McIntyre had been in discussions with the Laborers International Union of North America ("LIUNA") about the possibility of converting the Fairview Building into senior housing for retired laborers. Ms. Rodriguez noted that these conversations had been going on for some time now.

Ms. Rodriguez noted that the County was interested in this possible use of the Fairview Building due to its proximity to the McLean County Nursing Home. Ms. Rodriguez indicated that the residents of the senior housing would be able to easily transition to the Nursing Home should they require a higher level of care. Ms. Rodriguez also discussed incorporating some of the County's women, infant, and children's programs into available spaces at the renovated Fairview Building.

In addition to the foregoing, Ms. Rodriguez noted that the County and LIUNA would be exploring the use of historical tax credits in any renovation of the Fairview Building. Ms. Rodriguez added that the County recently had a topographical survey and appraisal performed of the Fairview Building site.

Chairman Novosad then inquired about the possible use of historical tax credits. Ms. Rodriguez responded by noting that the Fairview Building was constructed at the turn of the twentieth (20th) century as a tuberculosis sanitarium. As a result, Ms. Rodriguez indicated that the parties might be able to avail themselves of beneficial tax credits available to historic properties.

Chairman Novosad next asked Ms. Rodriguez as to her vision for the Commission's involvement. Ms. Rodriguez responded by indicating that the Commission would ultimately be asked to approve transferring title to the facility to LIUNA or approve a sublease between the County and LIUNA.

Chairman Novosad further inquired if LIUNA would be the entity performing any actual renovation work. Ms. Rodriguez responded to Chairman Novosad's question in the affirmative.

Ms. Rodriguez next addressed the subject of possible future Public Building Commission projects. Ms. Rodriguez noted that the County planned to perform an assessment of the Animal Control Shelter. Ms. Rodriguez stated that the Shelter did not "clean well" and had a bad location.

With respect to the County's capital improvement plan, Ms. Rodriguez stated that the County had a number of "smaller projects" on its horizon. Ms. Rodriguez noted that one (1) such project was to repair the exterior of the Law & Justice Center.

Chairman Novosad then asked whether there were any additional questions or comments for Ms. Rodriguez concerning the possible future uses of the Fairview Building, possible future Commission projects, and any operation and maintenance issues. Hearing none, Chairman Novosad asked Mr. Porter to address the 2021 Amendment to the Amended and Restated Lease Agreement.

Mr. Porter first (1st) reminded the Commission that it amended the Amended and Restated Lease Agreement with the County and City on October 6, 2015, which amendment had the effect of setting the County's annual lease payments to the Commission at ten million dollars and 00/100 (\$10,000,000.00). Mr. Porter stated that the County Clerk accordingly has an ordinance on file that sets the County's levy at ten million dollars and 00/100 (\$10,000,000.00) for each year through 2034. Mr. Porter stated that the ten million dollar and 00/100 (\$10,000,000.00) figure was established to give the County a degree of flexibility in terms of setting its levy.

Mr. Porter noted that the ten million dollar and 00/100 (\$10,000,000.00) figure is higher than actual debt service and operation and maintenance costs in any given year. Mr. Porter noted that, as a result, the County, City, and Commission are called on to amend the Amended and Restated Lease Agreement each year to ensure that the lease amount equals the amount the Commission actually

needs to meet debt service costs, operation and maintenance costs, and its own administrative costs. Mr. Porter stated that the required figure from the County in 2021 would be six million five hundred seventy-six thousand three hundred fifty-five dollars and 00/100 (\$6,576,355.00). Mr. Porter noted that this figure was derived by totaling debt service payments on the Series 2015 Public Building Revenue Bond Issue, debt service payment on the Series 2013 Public Building Refunding Bond Issue, operation and maintenance costs of the Old Courthouse, Law & Justice Center, Government Center, Juvenile Detention Center, Animal Control Shelter, and the Commission's anticipated administrative expenses.

Mr. Porter indicated that the City's 2021 lease payment to the Commission would be four hundred seventy-five thousand four hundred ninety-three dollars and 00/100 (\$475,493.00). Mr. Porter noted that this figure was derived by totaling debt service payments on the Series 2013 Public Building Refunding Bond Issue and operation and maintenance figures for the Government Center.

Mr. Porter indicated that once the Commission, County, and City sign off on the 2021 Amendment, an abatement certificate will be filed with the County Clerk, which will allow the Clerk to extend a lower property tax amount. Mr. Porter lastly noted that he included a breakdown of how the rental payments would be distributed in the form of a memorandum included in the Commissioners' meeting packets.

Chairman Novosad then asked if there were any questions or comments for Mr. Porter concerning the 2021 Amendment to the Amended and Restated Lease Agreement. Hearing none, Chairman Novosad asked for a Motion to approve the 2021 Amendment to the Amended and Restated Lease Agreement. It was moved by Mr. Reid and seconded by Mr. Fruin to approve the 2021 Amendment to the Amended and Restated Lease Agreement. Upon a roll call vote, all Commissioners voted in favor of the Motion.

Chairman Novosad next asked Mr. Porter to address the 2021 Amendment to the Contract for Operation and Maintenance. In response, Mr. Porter noted that the Amendment set the Commission's operation and maintenance payment to McLean County at three million three hundred seventy-six thousand two hundred sixty-five dollars and 00/100 (\$3,376,265.00).

Chairman Novosad then asked if there were any questions or comments for Mr. Porter concerning the 2021 Amendment to the Contract for Operation and Maintenance. Hearing none, Chairman Novosad asked for a Motion to approve the 2021 Amendment to the Contract for Operation and Maintenance. It was moved by Mr. Fazzini and seconded by Mr. Schultz to approve the 2021 Amendment to the Contract for Operation and Maintenance. Upon a roll call vote, all Commissioners voted in favor of the Motion.

Chairman Novosad then turned to the Commission's "Other Business" and asked Mr. Porter whether he wished to address any "Other Business" with the Commission. In response, Mr. Porter alerted the Commission to the fact that First Midstate, Inc. was sanctioned by the Securities and Exchange Commission ("SEC") on December 22, 2020. Mr. Porter specifically noted that the SEC and First Midstate, Inc. had entered into an enforceable settlement.

Mr. Porter then indicated that, as a part of its investigation, the SEC determined that, between June 1, 2014 and October 1, 2018, First Midstate, Inc. sold approximately seventy-six percent (76%) of all municipal bonds it underwrote to other broker-dealers as opposed to individual investors. Mr. Porter indicated that these broker-dealers subsequently sold the municipal bonds to individual

investors at higher prices and lower yields. Mr. Porter noted that the issue was that First Midstate, Inc. had actively represented and advertised competitive pricing based on their ability to sell to individual investors. Mr. Porter also emphasized that First Midstate, Inc. had denied these allegations as a part of entering into the enforceable settlement.

Mr. Porter noted that First Midstate, Inc. and Mr. Paul Brown had been fined two hundred thousand dollars and 00/100 (\$200,000.00). Mr. Porter relayed that First Midstate, Inc. had also been ordered to retain an independent consultant who will review its business practices and make binding recommendations to First Midstate, Inc. Mr. Porter lastly indicated that First Midstate, Inc. will need to accurately represent the identity of its bond investors on all future deals.

Mr. Porter ultimately advised the Commission that it should take stock of these issues the next time it is faced with the prospect of a bond issue or refinancing.

Mr. Farnsworth asked Mr. Porter whether this issue was at all related to the *Municipalities Continuing Disclosure Cooperation Initiative* (“*MCDC Initiative*”) of 2014. Mr. Porter responded by indicating that this issue was unrelated to the *MCDC Initiative*. Mr. Porter noted that the *MCDC Initiative* was a specific, industry-wide program implemented by the SEC that impacted ninety-seven percent (97%) of all municipal bond underwriters. Mr. Porter indicated that First Midstate, Inc.’s fine did not appear to be the result of a program implemented by the SEC. Mr. Porter also added that it was unknown whether the SEC is of the opinion that First Midstate, Inc.’s sanctioned behavior is occurring across the industry or whether this is unique behavior to First Midstate, Inc.

Mr. Farnsworth then inquired whether there was a financial impact to the Commission. Mr. Porter responded by noting that any impact is subject to some speculation. Mr. Porter noted that, theoretically, if First Midstate, Inc. had done the work to sell the Commission’s bonds to individual investors, then the issuers would have received more competitive pricing on the issuance of the bonds.

Mr. Farnsworth then asked how the Commission could sharpen its own practices to head off being impacted by these sorts of issues. Mr. Porter responded by strongly recommending that the Commission select future underwriters through a competitive bidding process. Mr. Fazzini then added that a competitive bidding process might not yield a better underwriter. Mr. Porter agreed with this assessment, but noted that a competitive bidding process is a useful internal control that the Commission should adopt in the future.

Turning to another “Other Business” item, Mr. Porter indicated that he and Mr. Mulligan had begun to work with MCK CPAs and Advisors on the Fiscal Year 2020 Audit Report. Mr. Porter stated that he and Mr. Mulligan would have more information to share with the Commission in the coming months.

Chairman Novosad then asked if there were any questions or comments for Mr. Porter concerning the Commission’s “Other Business.” Hearing none, Chairman Novosad asked for a Motion to adjourn. It was moved by Mr. Farnsworth and seconded by Mr. Fruin that the meeting adjourn. The Motion was unanimously approved by voice vote and the Rescheduled Meeting was adjourned at 3:40 p.m.

The next meeting of the Commission will be Tuesday, April 6, 2021, at 3:30 p.m.
APPROVED:

April 6, 2021



JOHN L. MOREL,
Secretary, Public Building Commission