

MINUTES OF THE REGULAR MEETING
OF THE
PUBLIC BUILDING COMMISSION OF McLEAN COUNTY, ILLINOIS

Tuesday, January 5, 2016, 3:30 p.m. CDT

The Regular Meeting of the Public Building Commission of McLean County, Illinois (the "Commission") was called to order by Chairman Novosad on January 5, 2016 in Room 404 of the Government Center, 115 East Washington Street, Bloomington, McLean County, Illinois.

Secretary Morel called the roll with the following members answering "present": Messrs. Novosad, Zeunik, Morel, Zimmerman, Harris, Good, and Schultz. Chairman Novosad noted the presence of a quorum. Messrs. Funk and Farnsworth were absent.

Also present were Commission Attorney Robert Porter; Commission Treasurer James Mulligan; Ms. Hannah Eisner, Assistant McLean County Administrator (arrived at 3:40 p.m.); and Mr. Jack Moody, McLean County Facilities Manager.

Edith Brady-Lunny of *The Pantagraph* was present. No other representatives of radio or press were present.

Chairman Novosad presented the Minutes of the October 6, 2015 Regular Meeting and Reorganization Meeting of the Commission for approval. Chairman Novosad asked if there were any corrections, additions, and revisions to the Minutes. Hearing none, Chairman Novosad asked for a Motion to approve both the Regular Meeting and Reorganization Meeting Minutes. It was moved by Mr. Zeunik and seconded by Mr. Harris that the Minutes of the October 6, 2015 Regular Meeting and Reorganization Meeting of the Commission be approved as submitted. Chairman Novosad called for a vote on the Motion to approve both sets of Minutes and the Motion was unanimously approved by voice vote.

Chairman Novosad next presented the Minutes of the April 7, 2015 Executive Session Meeting for review by the Commission pursuant to 5 ILCS 120/2.06(d). Chairman Novosad noted that the circumstances necessitating the Executive Session on April 7, 2015 had not changed, but that Commissioners could discuss the matter further in Executive Session should they wish. Hearing no Motion for an Executive Session, Chairman Novosad asked for a Motion that the Minutes of the Commission's April 7, 2015 Executive Session remain sealed until further review in accordance with 5 ILCS 120/2.06(d). It was moved by Mr. Zimmerman and

seconded by Mr. Schultz that the Minutes of the April 7, 2015 Executive Session remain sealed until further review in accordance with 5 ILCS 120/2.06(d) and the Motion was unanimously approved by voice vote.

Chairman Novosad then asked Commission Treasurer James Mulligan to present the Treasurer's Report for the fiscal year. Mr. Mulligan noted that page one of the Treasurer's Report reflects the \$43,500,000.00 in revenue bonds that the Commission sold the previous September as well as the \$2,793,565.23 premium that the Commission received on the sale of the revenue bonds. Mr. Mulligan further noted that the Commission retired the Law and Justice Center revenue bonds in November and that five to six payments remain on the outstanding Government Center revenue bonds.

Mr. Mulligan indicated that disbursements for approval were located on pages twelve and thirteen of the Treasurer's Report. Mr. Mulligan further stated that the Commission would be making an interest-only payment on the outstanding Series 2015 Public Building Revenue Bond Issue in June 2016. Mr. Mulligan noted that this payment would be made from the premium that the Commission received on the sale of the revenue bonds.

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

Chairman Novosad next asked Commission Attorney Robert Porter and Commission Treasurer James Mulligan to discuss the unfinished business of voting to invest the Series 2015 Public Building Revenue Bond Issue's "project fund."

Mr. Porter first noted that Mr. Good is an employee of Busey Bank and Mr. Schultz is an employee of Morton Community Bank, both of which institutions prepared investment proposals for the Commission to consider. Messrs. Good and Schultz accordingly stated that they would recuse themselves from any vote concerning the selection of an investment strategy and excused themselves from the room.

Mr. Porter recounted that the proceeds from the Commission's Series 2015 Public Building Revenue Bond Issue are currently on deposit at Morton Community Bank. Mr. Porter specifically noted that the Commission has \$45,004,459.67 deposited into a commercial checking account labeled "project fund" and \$1,289,105.56 deposited into a commercial checking account labeled "debt service fund." At the time of the deposit, Mr. Porter noted, the accounts provided a yield of .32% and that the yield has subsequently increased to .40%.

Mr. Porter noted that the Commission is currently operating within a so-called “temporary period” with respect to the bond proceeds. This temporary period will last until October 6, 2018 and during this period the Commission may obtain a yield on the proceeds that exceeds the 4% yield on the bonds without suffering a tax consequence. Once the temporary period lapses, the Commission will no longer be able to engage in this type of arbitrage. In addition, Mr. Porter noted that, after the temporary period, the project funds can no longer be invested in, or collateralized by, federally-backed securities and/or guarantees.

Mr. Porter recounted that the Commission received investment proposals from Heartland Bank & Trust Company, Busey Bank, Morton Community Bank, and First State Bank. Mr. Porter noted that he and Mr. Mulligan believe that the Commission should invest the funds at Morton Community Bank.

Mr. Mulligan indicated that Morton Community Bank presented the Commission with one- and two-year internal CD options that would generate a yield of between .7% and .9%. Mr. Mulligan noted that Morton Community Bank would not charge a management fee and that the Commission’s funds would continue to be collateralized by a \$46,500,000.00 letter of credit from the Federal Home Loan Bank of Chicago. Mr. Mulligan also stated that Morton Community Bank will likely be flexible in allowing the Commission to move money in the future.

Mr. Mulligan noted that both Heartland Bank & Trust Company and Busey Bank were proposing to invest the Commission’s funds in a portfolio of securities that would mature within one to three years. Heartland Bank & Trust Company believed that they could achieve a yield of 1.3% through its investment strategy. Mr. Mulligan noted that both Heartland Bank & Trust Company and Busey Bank’s one-year investments were projected to yield between .7% and .9%. Mr. Mulligan stated that both Heartland Bank & Trust Company and Busey Bank would charge the Commission management fees. Mr. Mulligan noted that First State Bank was proposing to invest the funds in a so-called “credit sweep account” that would put the money into various bank CDs at or below the current FDIC cap.

Mr. Mulligan stated that the likelihood of needing to draw down project funds beginning in 2017 make Morton Community Bank’s short-term, no fee investment option the most attractive.

Mr. Porter asked whether Mr. Moody could speak to a likely project fund draw down schedule as it could help the Commission make an informed investment decision.

Mr. Moody stated that the Commission would likely be paying construction costs on a monthly basis beginning in 2017. Mr. Moody noted that earth work would ideally begin in early

2017.

Chairman Novosad then asked Mr. Moody whether the Commission would need to pay any expenses in 2016.

Mr. Moody stated that construction costs will not begin to be incurred until next year, but that smaller sums may need to be expended in 2016.

Ms. Eisner stated that the Commission will need to reimburse the County in the amount of \$500,000.00 for the Needs Assessment Study performed by Dewberry & Associates and the Peer Review performed by the Farnsworth Group.

Mr. Moody noted that an architect needs to be retained before anything can occur in terms of construction and that the Commission could safely invest \$40,000,000.00 in project funds through 2016.

Mr. Zeunik asked Mr. Moody when the Commission could be expected to retain an architect.

Mr. Moody stated that the County would like for the Commission to hire an architect in February.

Mr. Harris asked Mr. Moody how long the project would take.

Mr. Moody stated that the construction would occur through 2017 and into 2018.

Mr. Harris stated that the Commission would not need much in the way of liquid funds in 2016.

Chairman Novosad then suggested that the Commission invest \$42,500,000.00 in internal Morton Community Bank CDs and rely on \$2,500,000.00 to pay unforeseen costs in 2016. Chairman Novosad suggested that the Commission would have a better appreciation of the need for liquid funds for 2017 and 2018 in February 2017.

Chairman Novosad then asked Messrs. Mulligan and Porter whether Morton Community Bank offered the superior investment proposal to those of Heartland Bank & Trust Company, Busey Bank, and First State Bank.

Mr. Mulligan stated that Morton Community Bank was superior insofar as it will not charge the Commission a management fee, will invest the funds in internal CDs, and the funds

will be liquid again in 2017.

Mr. Porter indicated that both Heartland Bank & Trust Company and Busey Bank desired to hold the Commission's funds beyond a one-year term, which could present difficulties in 2017 as the Commission begins paying construction costs.

Mr. Porter suggested that the Commission move to authorize the Treasurer to invest \$42,500,000.00 of the Commission's Series 2015 Public Building Revenue Bond Issue's "project fund" in internal CDs at Morton Community Bank provided that the investments meet the requirements of the *Illinois Public Funds Investment Act*.

Chairman Novosad then inquired as to whether any of the Commissioners had additional questions or comments about investing a portion of the proceeds from the Series 2015 Public Building Revenue Bond Issue at Morton Community Bank. Hearing none, Chairman Novosad asked for a Motion to authorize the Treasurer to invest \$42,500,000.00 of the Commission's Series 2015 Public Building Revenue Bond Issue's "project fund" in internal CDs at Morton Community Bank within the parameters of the *Illinois Public Funds Investment Act*. It was moved by Mr. Zeunik and seconded by Mr. Harris that the Commission authorize the Treasurer to invest \$42,500,000.00 of the Commission's Series 2015 Public Building Revenue Bond Issue's "project fund" in internal CDs at Morton Community Bank within the parameters of the *Illinois Public Funds Investment Act*. Upon a roll call vote, all Commissioners voted in favor of the Motion. However, Messrs. Good and Schultz were not physically present at the time of the vote and did not participate in the same.

Following the vote on the investment of the Series 2015 Public Building Revenue Bond Issue's "project fund," Messrs. Good and Schultz re-entered the meeting and Mr. Porter informed them of the vote.

Chairman Novosad then asked Mr. Porter to discuss the status of the Contract for Operation and Maintenance between the Commission and County. Mr. Porter noted that discussions were still underway with the County and that he hoped to finalize the Contract within the next month.

Chairman Novosad then asked Mr. Moody to present an update on the site selection, design process, and financing of the McLean County Jail Expansion/Mental Health Facility.

Mr. Moody advised the Commission that he has received six Statements of Qualification from interested architecture firms. Mr. Moody indicated that all of the firms attended a mandatory pre-submission meeting on December 3rd. The firms are Dewberry & Associates of Peoria, Illinois, Farnsworth Group of Normal, Illinois, Wold Architects of Palatine, Illinois,

Treanor Architects of St. Louis, Missouri, Blythe Group of Grand Junction, Colorado, and DLR Group of Chicago, Illinois. Mr. Moody indicated that a joint Commission-County Selection Committee would soon meet to review the Statements of Qualification and schedule interviews with several of the firms. Mr. Moody noted that all of the firms have a full breadth of experience and plan to retain a variety of sub-specialists.

Chairman Novosad then stated that he and Mr. Zimmerman would participate in the Selection Committee. Chairman Novosad noted that any other Commissioner could contact Mr. Porter should they wish to obtain copies of the Statements of Qualification for their own review.

Chairman Novosad then asked Mr. Porter to discuss the City of Bloomington's contract for the replacement of gas piping in the Abraham Lincoln Memorial Parking Deck.

Mr. Porter recounted that the Abraham Lincoln Memorial Parking Deck is governed by an Intergovernmental Agreement that was entered into in November 1988. Mr. Porter stated that, under the Intergovernmental Agreement, the City is required to obtain the approval of both the County and Commission before it can perform repairs in excess of \$5,000.00. Mr. Porter noted that the City has recently contracted with Pipeworks, Inc. in the amount of \$20,380.00 to repair gas piping in the Lincoln Deck, which gas piping corroded as a result of exposure to the elements and water. Mr. Porter stated that, under the contract, Pipeworks, Inc. has agreed to indemnify the Commission and name the Commission as an additional insured on its insurance policy. Mr. Porter noted that the County Board previously authorized this work at its December 15, 2015 meeting.

Mr. Schultz asked what would occur in the event of an emergency and noted that \$5,000.00 was not a very large sum of money.

Mr. Porter noted that in an emergency situation the Commission would work to accommodate the City as would the County. Mr. Porter further indicated that the Commission, County, and City would likely be modifying the Intergovernmental Agreement at some future date and that the low \$5,000.00 threshold would likely be increased.

Chairman Novosad then inquired as to whether any of the Commissioners had additional questions or comments about the City of Bloomington's contract for the replacement of gas piping in the Abraham Lincoln Memorial Parking Deck. Hearing none, Chairman Novosad asked for a Motion to authorize the City of Bloomington to contract with Pipeworks, Inc. in the amount of \$20,380.00 to repair gas piping in the Abraham Lincoln Memorial Parking Deck. It was moved by Mr. Good and seconded by Mr. Harris that the City of Bloomington be authorized to contract with Pipeworks, Inc. in the amount of \$20,380.00 to repair gas piping in the Abraham Lincoln Memorial Parking Deck and the Motion was approved unanimously by voice vote.

Chairman Novosad then asked Mr. Porter to discuss the 2016 Amendment to the Amended and Restated Lease Agreement.

Mr. Porter noted that the Commission, County, and City are currently party to a lease under which the County is to tender \$10,000,000.00 annual lease payments to the Commission. Mr. Porter stated that an ordinance was filed in the County Clerk's Office directing the County Clerk to extend a property tax levy sufficient to meet a \$10,000,000.00 rental payment. Mr. Porter indicated that the intention of the County and Commission is to reduce this rental amount on a yearly basis to an amount that covers the cost needed to meet the new debt and operation and maintenance obligations. Mr. Porter noted that for 2016 this figure is \$4,483,889.00. Mr. Porter reminded the Commission that the County and Commission set the annual lease payments at \$10,000,000.00 to provide flexibility in the event that a statewide property tax cap becomes law.

Mr. Good asked whether the County's operation and maintenance cost estimates have ever been wrong.

Mr. Zeunik indicated that County estimates had been wrong in the past, but, in those instances, the County is required to make up any shortfall.

Ms. Eisner agreed with Mr. Zeunik that the County would be required to meet a shortfall.

Chairman Novosad then inquired as to whether any of the Commissioners had additional questions or comments about the 2016 Amendment to the Amended and Restated Lease Agreement. Hearing none, Chairman Novosad asked for a Motion to approve the 2016 Amendment to the Amended and Restated Lease Agreement. It was moved by Mr. Zimmerman and seconded by Mr. Harris that the Commission approve the 2016 Amendment to the Amended and Restated Lease Agreement. Upon a roll call vote, all Commissioners voted in favor of the Motion.

Turning to the matter of special meetings, Chairman Novosad noted that the Commission will need to consider meeting in a special setting in either February or March in order to formally retain an architecture firm.

Chairman Novosad lastly asked Mr. Porter to address the matter of the County's loan request for capital improvements.

Mr. Porter stated that the County has requested a \$600,000.00, no-interest loan to be repaid over twenty years in order to replace the roofs on the Government Center and Juvenile

Detention Center. Mr. Porter further indicated that the County has asked the Commission to consider making a \$250,000.00, no-interest loan to the City to be repaid in ten years for work on the Abraham Lincoln Memorial Parking Deck. Mr. Porter indicated that discussions concerning these loan requests would be ongoing in the coming months.

Mr. Good asked why the Commission would want to consider lending money to the County and City. Mr. Good also inquired as to whether the lease agreement spoke to such a contingency.

Mr. Porter indicated that the Commission may be motivated to lend money to both the County and City as it owns the Government Center, Juvenile Detention Center, and Lincoln Deck. Mr. Porter further indicated that these loans would be for capital improvement and fall outside of the lease agreement.

Mr. Moody stated that both the Government Center and Juvenile Detention Center urgently need roof replacements and noted that the roof was leaking in twelve different places.

Mr. Harris stated that 2% of the overall cost of the structures should have been financed into the original cost estimates to cover capital improvement contingencies.

Chairman Novosad emphasized that much discussion needed to occur between the Commission, County, and City before the Commission would be in a position to make a decision regarding a no-interest loan.

Chairman Novosad then inquired as to whether any of the Commissioners had any additional questions or comments regarding the proposed capital improvement loans. Hearing none, Chairman Novosad asked for a Motion to adjourn. It was moved by Mr. Harris and seconded by Mr. Zeunik that the meeting adjourn and the Motion was unanimously approved by voice vote. The meeting was adjourned at 4:50 p.m. The next regular meeting of the Commission will be Tuesday, April 5, 2016, at 3:30 p.m.

APPROVED:

April 5, 2016



JOHN L. MOREL,
Secretary, Public Building Commission