

**MINUTES OF SPECIAL SESSION
HIGHLAND CITY COUNCIL
FRIDAY, FEBRUARY 24, 2012**

Mayor Michaelis called the Regular Session to order at 3:00pm. Council members Schwarz, Bardill, Bellm and Nicolaides were present. Others in attendance were City Manager Mark Latham, City Attorney Terry Bruckert; Director Korte; Supervisor Limestall, Deputy City Clerk Hediger, City Clerk Bellm; Peggy Sebastian, CEO/President of St. Joseph's Hospital, Jan Brinker, of Korte-Luitjohan Contractors, Inc., and Sean Flynn, of Gilmore & Bell, P.C.

NEW BUSINESS

Approve An Ordinance of the City of Highland which Authorizes Execution of the Redevelopment Agreement with St. Joseph's Hospital, of the Hospital Sisters of the Third Order of St. Francis – Councilman Bardill made a motion to approve Bill 12-20/Ordinance #2514 authorizing execution of the Redevelopment Agreement with St. Joseph's Hospital, of the Hospital Sisters of the Third Order of St. Francis as attached; seconded by Councilwoman Bellm. City Attorney Terry Bruckert stated what the council has in front of them is the latest draft of the redevelopment agreement with St. Joseph's Hospital. Next Tuesday, the Hospital Sisters and St. Joseph's Hospital representatives will go to the State of Illinois seeking a Certificate of Need. We have been working with their staff and attorneys, along with our bonding attorneys, on the terms of the agreement.

Attorney Bruckert explained the issue is that with this TIF (Tax Incremental Financing) district, the bulk of it is tax-exempt, because the Hospital Sisters is a tax-exempt organization. The physicians' office building planned is estimated at \$14.5 million. If the building is built and done within the first year of the bonds issuance (provided there are no delays), then the Madison County Assessors will be able to do a partial assessment. Based upon that, we should be able to cover the debt service. Under Illinois law, a bond closing of July 2012 has to cap within July 2014, at the latest. If the building is delayed, it could result in a gap in debt service of about one year. We all realize that everyone is anxious to move forward without delay; however, we have to be aware of the risk. Keith Moran believes the building assessment falls within the \$13-14.5-million range; however, we cannot guarantee the assessment. That is the big picture. What we need to do is work out the details of what happens if there is delay and who covers the expense. City Manager Latham added there is the willingness of the City to do improvements for this project. I think we are okay with making the commitment to put the utilities in. However, we do not have the money to put in the necessary improvements on Troxler before 2013 without the TIF funds. We initially believed the bonds were going to be let this year.

Peggy Sebastian, President/CEO of St. Joseph's Hospital, stated Mr. Moran first contacted us on this issue last week. It was the first time that we saw the drawings of the building. He asked about the taxable use of the building. Ms. Sebastian stated 46% of the complex will be taxable. Just because we are leasing it, it would be taxable. We raised the idea, this last week, of how to solve your problem. I can say, we will not draw any of the \$2M until May 2013. We will find ways through philanthropy and

other means until May 2013. This should help close the gap. We went to McCarthy, about twenty times, since yesterday. McCarthy Construction stated they have never delivered a hospital project late and they have assured us they will deliver on time. The Certificate of Need states we will deliver that building to accept the first patient July 2013. The agreement with McCarthy is that they will deliver the building May 29, 2013. I realize that puts the city in an awkward situation; however, we feel the risk is minimal. In summary, we do not see the timing risk.

Councilman Schwarz asked Attorney Bruckert, if they deliver the building in May 2013, when we will receive our TIF assessment funds. Attorney Bruckert responded a partial assessment can be done at anytime. City Manager Latham clarified if we do not get tax assessment in a timely manner, we would get hit with a debt service gap. The hospital needs to get it in writing from McCarthy that they will guarantee delivery of the building by a certain date. Councilwoman Bellm asked Ms. Sebastian if she thought McCarthy is willing to do that. Ms. Sebastian stated yes, they said they would be willing to do that; however, I do not have it in writing yet. Attorney Bruckert explained everyone would like to have the bond closing sooner rather than later and have it in writing that McCarthy will deliver on time. Ms. Sebastian clarified you would have to hold the hospital accountable in the agreement and we would in-turn hold McCarthy responsible. Sean Flynn, of Gilmore & Bell, P.C., stated, once we get past July 1, you would be able to cover for two years. Attorney Bruckert explained bonds are on debt payment schedules of January 1 or July 1. Councilman Schwarz asked if the building comes in at under \$13M what happens. Attorney Bruckert stated Keith Moran is confident the shell alone is \$14M. The amenities may add on. He really believes this will not come in any lower than \$12.5M. Keep in mind, the worse case scenario assumes no other improvements would be made in the rest of the TIF district. We did not include any other improvements in the area, in this scenario. Councilwoman Bellm inquired, this medical office building that is planned now is potentially a beginning phase. Ms. Sebastian responded, yes, it is the beginning phase; however, there are no guarantees of future development by us. A home healthcare company and a dialysis group have contacted us. Councilwoman Bellm clarified, if we are unable to meet the debt service, we would have to go to the citizens in Highland and increase their taxes to cover that gap. Attorney Bruckert concurred. He added, it comes down to the timing of the bond, building time, and timing of the assessment. Councilwoman Bellm summarized, if the hospital gets some acceptance of responsibility from McCarthy, then we can hold the hospital responsible for the gap if things are delayed. Ms. Sebastian stated, as she read a message from McCarthy Construction from her phone, McCarthy understands they would be responsible for 1/365th of the contract amount per day for each day they are late on delivering the building, after May 29, 2013.

Councilwoman Bellm made a motion to take a ten-minute intermission so all legal counsels, bond counsel, and St. Joseph's Hospital representatives to confer; seconded by Councilman Bardill. All council members voted aye, none nay. Motion carried. Recessed at 3:45pm.

Mayor Michaelis reconvened the Regular Session to order at 4:00pm. Council members Schwarz, Bardill, Bellm and Nicolaides were present. Others in attendance were City Manager Mark Latham, City Attorney Terry Bruckert; Director Korte; Supervisor Limestall, Deputy City Clerk Hediger, City Clerk Bellm; Peggy Sebastian, CEO/President of St. Joseph's Hospital, Jan Brinker, of Korte-Luitjohan Contractors, Inc., and Sean Flynn, of Gilmore & Bell, P.C.

Attorney Bruckert reported bonding would occur after July 1, 2012. McCarthy and the hospital will assume responsibility \$850 per day penalty that would cover any interest and other penalties. Councilman Schwarz inquired about the difference in TIF funds should the building fall below \$12.5M. Kelly Korte stated the difference is ~\$30,000 in assessment, if the assessment comes at \$12M versus \$12.5M.

Attorney Bruckert recommended moving forward with voting on the motion as stated, with the addition of the bond closing on or after July 1, 2012; and, if the building is not completed by June 20, 2012, St. Joseph's Hospital will be responsible for paying a penalty of \$850 per day for each day. Sean Flynn clarified the \$850 per day would be for the balance of calendar year, June 30 – December

31, 2013. Roll Call Vote: Schwarz, Bardill, Bellm and Nicolaidis voted aye, none nay. Motion carried.

Councilwoman Bellm made a motion to adjourn; seconded by Councilman Bardill. All council members voted aye, none nay. Motion carried and meeting adjourned at 4:05pm.

Joseph Michaelis, Mayor

Barbara Bellm, City Clerk