



Illinois Finance Authority  
Healthcare Committee Meeting  
180 N. Stetson, Suite 2555  
Chicago, IL

Via Teleconference

**AGENDA**  
**January 5, 2009**  
**1:00 p.m.**

- I. Call to Order
- II. Review and approval of the November 7, 2008 Minutes
- III. Review and discussion of the following Board Summary Report:
  - a. OSF Healthcare System
- IV. Issues for Discussion
  - a. Market Update from Pam Lenane
  - b. Discussion of Federal Revenue for Policy Options to Aid Illinois Hospitals
- V. Other Business
- VI. Adjourn

**DRAFT****MINUTES OF THE NOVEMBER 7, 2008 MEETING OF THE HEALTHCARE  
COMMITTEE OF THE ILLINOIS FINANCE AUTHORITY**

The Healthcare Committee (the "Committee") of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held a Healthcare Committee Meeting via teleconference at 11:00 a.m., on November 7, 2008 at the Illinois Finance Authority, 180 N. Stetson, Suite 2555, Chicago, Illinois:

**Members participating****by phone:**

Dr. William J. Barclay, Chair  
Michael W. Goetz  
Juan B. Rivera  
April D. Verrett  
Bradley A. Zeller

**Staff present:**

Karen Walker, Director of  
Financial Services and Authorized  
Officer  
Pamela Lenane, Vice President  
Dana Sodikoff, Funding Manager  
Carla Burgess Jones, Board  
Secretary

**Others:**

Santino Bibbo, Cabrera  
Capital Markets

**Members absent:**

None

**Staff Absent:**

Christopher Meister, General  
Counsel and Authorized Officer

**GENERAL BUSINESS****Call to Order and Roll Call**

The meeting was called to order at 11:04 a.m. with the above members participating by phone.

**Approval of Minutes**

Chairman Barclay requested a motion to approve the October 6, 2008 minutes of the Healthcare Committee meeting. Motion was moved by Mr. Goetz and seconded by Ms. Verrett. The October 6, 2008 minutes were approved.

## **Discussion of Projects:**

### **Northwestern Memorial Hospital – Final - \$240M**

Ms. Lenane shared with the committee that Northwestern Memorial Hospital will come to the board for a final bond resolution in the amount of \$240M. Ms. Lenane briefly discussed the effect of current market conditions are having on the healthcare sector, and also summarized the purpose of this issuance. Ms. Lenane shared with the Committee that the Northwestern financing team will include Loop Capital Markets as a co-manager.

Chairman Barclay asked if the Committee had any objections to recommending the Northwestern Memorial Hospital project to the Board for final approval. There were no objections, Chairman Barclay announced that the Northwestern Memorial Hospital project will be presented to the Board at the next scheduled board meeting.

### **Rockford Health System – Final - \$70M**

Ms. Lenane shared with the committee that Rockford Health System will come to the board for a final bond resolution in the amount of \$70M. Ms. Lenane reviewed the purpose of the transaction, the estimated sources and uses of funds and the structure of the financing. Committee members asked questions about the information contained in the financing summary and structure sections of the board summary. Ms. Lenane satisfactorily addressed the Committee members concerns.

Ms. Lenane shared with the Committee that the inclusion of an MBE/MWBE firm as co-managers will not be possible on this transaction. Committee members asked Ms. Lenane to provide an explanation for this decision. Ms. Lenane and Mr. Bibbo satisfactorily addressed the Committee members questions in regard to the inclusion of a minority firm(s) on this transaction.

Chairman Barclay asked if the Committee had any objections to recommending Rockford Health System to the Board for final approval. There were no objections, Chairman Barclay announced that the Rockford Health System project will be presented to the Board at the next scheduled board meeting.

### **The Carle Foundation – Final - \$450M**

Ms. Lenane shared with the Committee that The Carle Foundation will come to the board for a final bond resolution in the amount of \$450M. Ms. Lenane briefly reviewed the estimated sources and uses of funds for this transaction.

Ms. Lenane stated that The Carle Foundation met with two MBE/MWBE firms, and they're considering one of the two firms as a co-manager on this transaction. Chairman Barclay asked that the firm selected be noted on the final board summary that will be presented at the next scheduled board meeting.

Chairman Barclay asked if the Committee had any objections to recommending The Carle Foundation to the Board for final approval. There were no objections, Chairman Barclay announced that The Carle Foundation project will be presented to the Board at the next scheduled board meeting.

**Timothy Place NFP, d/b/a Park Place of Elmhurst – Preliminary - \$195M**

Ms. Lenane shared with the Committee that Timothy Place will come to the board for a preliminary bond resolution in the amount of \$195M. Ms. Lenane reviewed the purpose, the estimated sources and uses of funds, and the jobs sections information included on the board summary. Ms. Lenane briefly discussed how the Variable Rate Demand Bonds may be issued, and also provided an explanation of the property tax structure for this transaction. A brief discussion ensued concerning the property tax matter. Ms. Lenane satisfactorily addressed members questions.

Members of the Committee presented questions concerning the number of units being provided for low income residents, and asked if the State will be providing any support. Committee members also asked Ms. Lenane to provide clarification of the various plans mentioned under the Summary of Entrance Deposits and Occupancy Service Fees section. Ms. Lenane satisfactorily addressed Committee members questions about the number of units that will be reserved for low income residents, and Ms. Lenane also provided clarification of the various plans. Ms. Lenane will research any support being provided by the State and report back to the Committee.

Chairman Barclay inquired about the inclusion of MBE/MWBE firms on this transaction. Ms. Lenane will report back to the Committee concerning this matter.

Chairman Barclay asked if the Committee had any objections to recommending the Timothy Place project to the Board for final approval. There were no objections, Chairman Barclay announced that the Timothy Place project will be presented to the Board at the next scheduled board meeting.

**The Carle Foundation – Final - \$450M**

Ms. Lenane shared with the Committee that The Carle Foundation will come to the board for a final bond resolution in the amount of \$450M. Ms. Lenane

reviewed the estimated sources and uses of fund section included in the board summary.

Chairman Barclay asked if the Committee had any objections to recommending The Carle Foundation to the Board for final approval. There were no objections, Chairman Barclay announced that The Carle Foundation project will be presented to the Board at the next scheduled board meeting.

### **The Admiral at The Lake**

Ms. Lenane shared with the Committee that The Admiral at The Lake project in the amount of \$225M will be presented to the board for approval as a one-time final. Ms. Lenane reviewed the purpose of the bonds being issued, and provided an explanation of the bond structure, in particular, the credit enhanced Variable Rate Demand Bonds. Additionally, Ms. Lenane also shared with the Committee that The Admiral at The Lake Foundation have not historically been assessed or paid property taxes on tax-exempt properties.

Chairman Barclay asked about changes that were made to the financing team, and also about the inclusion of MBE/MWBE firm(s) on this transaction. Ms. Lenane satisfactorily addressed the Chairman's questions about the financing team. Ms. Lenane will provide an update on the inclusion of MBE/MWBE firm(s) on this transaction.

Chairman Barclay asked if the Committee had any objections to recommending The Admiral at The Lake to the Board for final approval. There were no objections, Chairman Barclay announced that The Admiral at The Lake project will be presented to the Board at the next scheduled board meeting.

### **NorthShore University HealthSystem (F/K/A Evanston Northwestern Healthcare) – Final - \$75M**

Ms. Lenane shared with the Committee that NorthShore University HealthSystem will come to the board for a final bond resolution in the amount of \$75M. Ms. Lenane reviewed with the Committee the sources and uses of funds and the financing structure. Ms. Lenane shared with the Committee that conversations concerning the inclusion of MBE/MWBE firms as co-managers on this project continue. However, due to the type of transaction (Commercial Paper Revenue Notes) a minority firm may not be used. A brief discussion ensued concerning this matter and Ms. Lenane satisfactorily addressed the Committees concerns.

Chairman Barclay asked if the Committee had any objections to recommending the NorthShore University HealthSystem (F/K/A Evanston Northwestern Healthcare) project to the Board for approval. There were no objections, Chairman Barclay announced that the NorthShore University HealthSystem

(F/K/A Evanston Northwestern Healthcare project will be presented to the Board at the next scheduled board meeting.

**Southern Illinois Healthcare - Amendatory Resolution**

Ms. Lenane briefly discussed the purpose of the Southern Illinois Healthcare Amendatory Resolution. There were no questions from the Committee.

Chairman Barclay asked if the Committee had any objections to recommending the Southern Illinois Healthcare Amendatory Resolution to the Board for approval. There were no objections, Chairman Barclay announced that the Southern Illinois Healthcare Amendatory Resolution will be presented to the Board at the next scheduled board meeting.

**Other Business**

Chairman Barclay asked if there was any other business to come before the Committee. There being none, Chairman Barclay requested a motion to adjourn. The motion was moved by Mr. Goetz, and seconded by Ms. Verrett. The meeting adjourned at approximately 11:49 a.m.

Respectfully submitted,

Carla B. Burgess Jones, Secretary

**ILLINOIS FINANCE AUTHORITY  
BOARD SUMMARY  
January 13, 2009**

**Project: OSF Healthcare System**

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**STATISTICS**

Project Number: H-HO-TE-CD-  
Type: 501(c)(3) Bonds  
County/Region: Peoria/North Central

Amount: \$650 million (Not-to-Exceed)  
IFA Staff: Pam Lenane and Dana Sodikoff  
City: Peoria

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**BOARD ACTION**

Final Resolution Streamlined Process due to Market Conditions  
Conduit 501 (c)(3) bonds  
No IFA funds at risk

Staff recommends approval  
No extraordinary conditions

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**VOTING RECORD**

This is the first time this project has been brought before the Board.

This project is coming for a One-time Final Resolution because of market conditions.

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**PURPOSE**

The project contemplates the following projects:

- 1) Refund FSA insured auction bonds- approximately \$275 million total (which were extended in April, 2008 to reset on various dates in the first quarter of 2009)
  - a. IFA Series 2005A (\$52,825,000),
  - b. IFA Series 2005B (\$52,550,000),
  - c. IFA Series 2007B (\$40,000,000),
  - d. IFA Series 2007C (\$65,000,000), and
  - e. IFA Series 2007D (\$65,000,000).
  
- 2) Potentially refund FSA insured variable rate demand bonds- approximately \$140 million total\*
  - a. IFA Series 2007E (\$70,000,000), and
  - b. IFA Series 2007F (\$70,000,000).

\*OSF is hopeful that they will not have to refinance the bonds listed above, but have included them in the plan of finance in the event that market conditions occur that negatively impact the remarketing of the bonds.

3) Potentially finance a portion of an information technology project- approximately \$75 million.  
Depending on borrowing costs OSF may choose to finance the IT project with the 1985 Pool and/or the Commercial Paper Pool.

4) Potentially finance termination costs for 3 swaps associated with the IFA Series 2005 and 2007 bonds  
The swap termination will only occur in the event that FSA, the swap insurer, is downgraded below "A3" by Moody's or "A-" by S&P prior to the sale of the bonds thereby requiring OSF to post collateral, and OSF determines that any such posting of collateral would not be in their economic best interest. Merrill Lynch is the counterparty on the swaps.

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**IFA PROGRAM AND CONTRIBUTION**

501(c)(3) Bonds are a form of municipal bonds that 501(c)(3) corporations can use to finance capital projects that will be used to further their charitable mission. IFA's issuance will convey federal income tax-exempt status on interest earned on the Bonds paid to bondholders and thereby reducing the borrower's interest expense.

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**VOLUME CAP**

501(c)(3) bond issues do not require Volume Cap.

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**JOBS**

Current employment: 10,189 FTE's  
Jobs retained: 10,189 FTE's

Projected new jobs: N/A  
Construction jobs: 40

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**ESTIMATED SOURCES AND USES OF FUNDS**

Sources:	IFA bonds	\$635,000,000	Uses:	Refund Prior Bonds	\$415,375,000
				Capital Project	75,000,000
				Debt Service Reserves	65,000,000
				Est. Cost of issuance (2%)	12,625,000
				Est. Swap terminations	<u>67,000,000</u>
	Total	\$635,000,000	Total		\$635,000,000**

\*\*This total Sources and Uses of Bonds is based on the financing of all projects described in the Project Section above. If only a portion of the proposed refunding/IT project occurs, the cost of issuance will be no more than 2% of the total par amount, and the debt service reserve fund will decrease to at a maximum 10% of the total par amount.

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**FINANCING SUMMARY/STRUCTURE**

Security: The Bonds will be secured by a master indenture note of OSF.

Structure: The Series 2009 bonds will consist of either fixed or variable rate bonds, or a combination of both. The variable rate bonds will be credit enhanced with direct pay letters of credit (bank(s) to be determined, but will carry a long-term rating of A- or better)

Interest Rate: To be determined based on the market

Interest Mode: Fixed and/or Variable

Credit Enhancement: None for the fixed rate bonds and letters of credit for the variable rate bonds

Maturity: 30 years

Rating: Fixed Rate Bonds: Moody's "A2", Standard & Poor's "A", and Fitch "A"  
Variable Rate Bonds: To be determined based on the credit of the bank(s) (bank(s) to be determined, but will carry a long-term rating of A- or better)

Est. Closing Date: Mid-February, 2009

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**PROJECT SUMMARY**

The Project is primarily the refunding of the insured auction rated bonds. In addition, OSF may include \$75 million in the bond issue to finance an IT project and associated new data center. Whether the financing for this project is included in the bond issue will be determined based on market conditions at the time of the offering.

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**BUSINESS SUMMARY**

Background: OSF Healthcare System ("OSF" or the "Corporation") is an Illinois not-for-profit corporation, exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. OSF was incorporated in 1880 as The Sisters of the Third Order of St. Francis. The Corporation's current name was adopted as part of a corporate restructuring in 1989. The sole corporate member of OSF is The Sisters of the Third Order of St. Francis, a religious congregation founded in 1877 in Peoria, Illinois. The Corporation operates its health care facilities as a single corporation, with each health care facility functioning as an operating division of the Corporation.

Description: OSF is headquartered in Peoria. Six of the Corporation's facilities (five hospitals and one continuing care and nursing home center) are located in Illinois. One hospital is located in



Michigan. OSF has 1,316 licensed acute care beds and 155 licensed long term care beds. The Corporation's largest hospital, St. Francis Medical Center in Peoria, is a 616-licensed bed tertiary care teaching center providing numerous specialty services and extensive residency programs for physicians. The array of health services provided by OSF also includes 27 hospital-based outpatient facilities, approximately 88 physician office facilities of employed physicians, six home health agencies and five hospices. Multi-institutional membership status has been conferred on the Corporation by the Illinois Hospital Association and the American Hospital Association. Similar membership status exists with the Catholic Health Association of the United States and the Illinois Catholic Health Association.

**Project Rationale:** The refunding is necessitated by the fact of the collapse of the auction market.

**Timing:** The current schedule anticipates a Closing in mid-February, 2009.

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**OWNERSHIP / ECONOMIC DISCLOSURE STATEMENT**

**Project name:** OSF Healthcare System  
**Location:** 800 North East Glen Oak Avenue; Peoria, Illinois 61603  
**Applicant:** OSF Healthcare System  
**Organization:** 501(c)(3) Not-for-Profit Corporation  
**State:** Illinois  
**Board Members 501(c)(3):**

Sister Judith Ann Duvall, O.S.F., Chairperson  
James M. Moore, CEO  
Sister Diane Marie McGrew, O.S.F., President/Treasurer  
Sister Theresa Ann Brazeau, O.S.F., Secretary  
Sister Maria Elena Padilla, O.S.F.  
Sister Agnes Joseph Williams, O.S.F.  
Sister Mary Ellen Flannery, O.S.F.  
Sister Rose Therese Mann, O.S.F.  
Leonard E. Nevitt  
Vance C. Parkhurst  
James W. Girardy, M.D.  
Gerald J. McShane, M.D.

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**PROFESSIONAL & FINANCIAL**

<b>Borrower's Counsel:</b>	Corporate Counsel	Peoria	Vance C. Parkhurst
	Hinshaw & Culbertson, LLP	Rockford	Charles Thomas
	Hinshaw & Culbertson, LLP	Chicago	Leslie Richards-Yellen
<b>Accountant:</b>	KPMG	Peoria	Charles Klescewski
<b>Bond Counsel:</b>	Jones Day	Chicago	John Bibby
<b>Credit Enhancer</b>	To be Determined		
<b>Bank Counsel:</b>	To be Determined		
<b>Bond Underwriter:</b>	Merrill Lynch	New York	Neil Matthews
<b>Underwriter's Counsel:</b>	Sonnenschein Nath & Rosenthal	Chicago	Kathryn Ashton
<b>Financial Advisor to OSF</b>	Anne Donahoe	Chicago	Anne Donahoe
<b>Trustee</b>	Wells Fargo	Chicago	Patricia Martirano
<b>Issuer's Counsel:</b>	Requested	Chicago	Requested
<b>IFA Advisors:</b>	D.A. Davidson & Co.	Chicago	Bill Morris
	Scott Balice Strategies, Inc.	Chicago	Lois Scott

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**LEGISLATIVE DISTRICTS**

**Congressional:** 18- Ray LaHood, 15-Timothy V. Johnson, 16- Donald A. Manzullo, 17- Phil Hare  
**State Senate:** 46- David Koehler, 37- Dale E. Risinger, 53- Dan Rutherford, 44- Bill Brady, 47- John M. Sullivan

State House: 92- Aaron Schock, 73- David R. Leitch, 106- Keith P. Sommer, 69-Ronald A. Wait, 74- Donald L. Moffitt, 88-Dan Brady, 94- Richard P. Myers

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#### **SERVICE AREA**

Service Area: OSF has facilities in the following locations in Illinois: Peoria (St. Francis Medical Center); Rockford (Saint Anthony Medical Center); Bloomington (St. Joseph Medical Center); Galesburg (St. Mary Medical Center); Pontiac (Saint James Hospital); Peoria Heights (Saint Clare Home); Monmouth (Holy Family Medical Center). The facility in Michigan, St. Francis Hospital, is located in Escanaba.

**CONFIDENTIAL INFORMATION**

Estimated Fee: \$211,000

**FINANCIALS**

Source of financials : OSF Healthcare System

(Dollars in Millions)  
 Audited Financial Statements for  
 Fiscal Year End September 30

	2005	2006	2007	Unaudited 2008
<b>Income Statement:</b>				
Revenues/Support	\$1,398	\$1482	\$1,719	\$1,586
Change in Unrestr.				
Net Assets	(9)	167	142	(3)
Change in Net Assets	(7)	169	138	(8)
* EBIDA	125	139	205	181
<b>Balance sheet:</b>				
Current assets	387	393	492	427
Net PP&E	462	500	561	653
Investments/Other	<u>539</u>	<u>605</u>	<u>1016</u>	<u>997</u>
<b>Total Assets</b>	<b><u>1,388</u></b>	<b><u>1,498</u></b>	<b><u>2069</u></b>	<b><u>2077</u></b>
Current liabilities	183	175	209	212
Long Term Debt	466	477	816	793
Other LT Liabilities	210	148	209	245
Net Assets	<u>529</u>	<u>698</u>	<u>835</u>	<u>827</u>
<b>Total Liabilities &amp;</b>				
<b>Net Assets</b>	<b><u>1,388</u></b>	<b><u>1,498</u></b>	<b><u>2,069</u></b>	<b><u>2077</u></b>
<b>Ratios:</b>				
Debt Service Coverage	5.3	5.6	8.8	2.9
Days Cash on Hand	156	160	187	188
Debt to Capitalization	48	41	49	50
Cash to Debt	1.02	1.06	0.87	0.84

Discussion: Fiscal year 2007 results related to significant improvements in income from operations that were largely driven by strong outpatient volumes. Outpatient growth was generally aided by the continued development of off campus outpatient facilities in Peoria and on the main campuses in Rockford, Pontiac and Galesburg. Emergency room visits also increased by approximately 7% from fiscal year 2006 to 2007, and inpatient discharges and patient days increased by 3.7% and 4.8%, respectively during the same period. A substantial increase in non-operating gains was due to increased investment income, including investment income related to portfolio conversion. Continued strong EBIDA is evidence of OSF's ability to cover debt service payments. The fiscal year

Information enclosed in the page border is to be considered confidential and may be exempt from disclosure under the Freedom of Information Act

2008 reduction in the change in net assets is primarily due to portfolio investment losses related to an unstable market. Fiscal Year 2008 EBIDA remains strong to be able to cover debt service payments.

PROPERTY TAX: OSF does not pay property tax on tax-exempt facilities. However, there are areas within some of OSF's tax-exempt facilities that are leased to taxable entities, and either OSF or the tenant pays property taxes for the portion of the facilities in non-exempt use. OSF does pay property tax on taxable facilities.

The Funding Managers on this project have discussed with the Borrower the inclusion of a MBE/MWE firm and the Borrower will consider a MBE/MWE firm as a co-manager.