Illinois Finance Authority

Monday, March 15, 2004
2:00 p.m.
Formal Board Meeting
Sears Tower Conference Center
233 S. Wacker, Suite 4000
Chicago, Illinois 60606

Ali D. Ata

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ILLINOIS FINANCE AUTHORITY
BOARD MEETING

March 15, 2004
Chicago, Illinois

Executive Committee
IFA Office, Sears Tower, Suite 4000 – 40th Floor
10:00 a.m.

- Opening Remarks – Chairman Gustman
    - Amended budget
    - Approval of Executive Director's salary
- Director's Report – Ata D. Ata
- Project Presentations – Marketers

Board Meeting
2:00 P.M.
Sears Tower Conference Center
233 S. Wacker Drive, 33rd Floor

- Call to Order – Chairman Gustman
- Chairman's Report

A. Director's Report

- Consent Agenda for Financing Projects
- Other Business
- Roll Call

1. Adoption of February 17, 2004 Minutes
2. Acceptance of January '04 Financial Statements

Initial Project Considerations

	Number	Project	Location	Amount	New Jobs	Const Jobs	PA
3.	P-SW-PO-TE-CD-402	Republic Services, Inc. and its Affiliates	DeSoto & Mt. Prospect	$18,000,000	14	15	RF
4.	I-ID-TE-CD-402	The Steel Works, L.L.C.	Granite City	$4,000,000	28	25	MC
5.	A-FB-TE-CD-404	Mark D. Dozier & Kelli J. Dozier	Morrisonville	$250,000	N/A	N/A	RS
6.	A-FB-TE-CD-401	Alexander Chung & Trisha Chung	Peru	$207,900	N/A	N/A	RS
7.	A-FB-TE-CD-403	Paul B. Hooks & Pamela S. Hooks	Mason	$207,500	N/A	N/A	RS
8.	A-FB-TE-CD-408	Matthew Lynn Merritt & Michelle Elaine Merritt	Carthage	$152,000	N/A	N/A	RS

9. A-FB-TE-CD-402	Robert H. Goeddeke & Julie A. Goeddeke	Poplar Grove	$150,000	N/A	N/A	RS
10. A-FB-TE-CD-407	Ronald J. Shike & Suellen J. Shike	Aledo	$140,000	N/A	N/A	RS
11. A-FB-TE-CD-406	Larry W. Messer & Susan M. Messer	Goodfield	$32,000	N/A	N/A	RS

Final Project Considerations

Number	Project	Location	Amount	New Jobs	Const Jobs	Mkter
12. H-HO-TE-CD-408	Central DuPage Health	Winfield	$240,000,000	125	400	PL
13. H-HO-TE-CD-410	OSF Healthcare System	Peoria	$100,000,000	N/A	N/A	PL
14. H-HO-TE-CD-405	Children's Memorial Medical Center	Chicago	$56,000,000	N/A	N/A	PL/CV
15. H-HO-TE-CD-403	BroMenn Healthcare	Normal & Eureka	$55,000,000	N/A	N/A	PL
16. L-PW-TE-CD-404	Construction Loan Interim Financing Program 2004	Statewide	$7,500,000	N/A	N/A	EW
17. L-GP-TE-MO-401	Local Government Pooled Bond Program 2004A (Moral Obligation)	Various	$4,040,000	N/A	N/A	EW
L-GP-TE-MO-401D	Bourbonnais Township Park Dist.	Kankakee	$900,000	N/A	N/A	EW
L-GP-TE-MO-401A	Village of Norris City	White County	$575,000	N/A	N/A	EW
L-GP-TE-MO-401B	Village of Williamsville	Sangamon County	$440,000	N/A	N/A	EW
L-GP-TE-MO-401C	Village of Farmington	Fulton County	$2,125,000	N/A	N/A	EW
18. A-DR-GT-TX-405	Brice and Carol Lawson	Chambersburg	$300,000	N/A	N/A	RS
19. A-AI-GT-TX-409	Daniel K. Reed (Pearl Valley Cheese Company, Inc.)	Kent	$390,000	11	N/A	DW
20. A-FB-TE-CD-410	Ken J. Gerlach and Wendy D. Gerlach	Waggoner	$17,100	N/A	N/A	RS

Project Revisions/Amendatory Resolutions

21. I-ID-TE-CD-403	LA-CO Industries, Inc. Project	Request change in bond documents
22. H-HO-TE-CD-411	Little Company of Mary Hospital and Health Center	Addition to interest rate mode

Other Business

23. Glossary of Acronyms and Terms
24. Market and Product Codes
25. Newspaper Clippings

Adjournment

Appendix

Illinois Finance Authority – Director's Report
March 8, 2004

To: Governor's Office and IFA Board of Directors
From: Executive Director Ata

This report highlights five issues: Sales Activity, Market Conditions, Financial Issues, Legislative Issues and Office Leases.

I. ***Sales Activity:***

We are submitting for your review 18 proposals (nine preliminaries and nine finals) compared to a total of 21 proposals in February. Seven of the new proposals are in Agriculture, one in Healthcare, one Industrial and one Solid Waste project.

Total estimated fees, paid on closing, and from above deals is estimated at $758,700, consisting of $146,300 for preliminaries and $612,400 for the finals.

Our sales campaign continues to identify new opportunities. We continue to develop our new approach to create and deliver value to our customers at a fair price. A focused effort is being placed on creating a "Selling and Service" culture. The campaign has had a positive impact on the number of projects in the pipeline and is sending a strong message that IFA is aggressively seeking new business opportunities.

We have also implemented sales tracking databases. The Sales/Service Call Database will track the number of Sales Calls and Service Calls made by each Marketer. This tracking tool will help ensure call activity, and will help us manage resource allocation between selling and servicing. A second database will be used to track projects. The principal purpose of this database will be to provide current estimates of project progress and estimated fees.

II. Market Conditions:

We continue to encounter tough competition for the products and services IFA offers. For example, all home-rule municipalities and counties can issue bonds. In addition to local governments, the Illinois General Assembly has created six (6) regional finance authorities that also have the capability to issue bonds similar to IFA. These regional authorities draw upon their local presence for a competitive advantage. Local governments often issue bonds for severely discounted closing fees with little or no follow-up maintenance.

III. Financial:

A. Profit and Loss: January P&L statements were finalized (statements are enclosed) and show a loss of $258,000 for the month. This is due to the fact that we had no closings in January.

   System integration is underway so that February 2004 P&L statement and balance sheet can be generated for the March 2004 Board meeting.

   Laura Lanterman assumed responsibilities for IFA loan programs of the predecessor authorities.

   Joy Kuhn, an Allstate Insurance Treasury veteran, began with IFA on March 8, 2004 on a 3-month project designed to consolidate the cash and investment accounts of the predecessor authorities. Joy will also develop documented processes for cash management for IFA. We will evaluate Joy's performance and may offer her a permanent financial/accounting position at the end of this assignment.

   An employment offer for Staff Accountant was presented to a candidate on March 8, 2004. If accepted, this candidate would manage general ledger accounting processes and payroll starting March 23, 2004.

   After an evaluation of software alternatives for general ledger accounting and financial statement preparation, IFA will upgrade the present Elite software package, add a module to manage loan transactions, and have the software hosted by the vendor to minimize software maintenance costs. Subsequent to the purchase of Elite by IDFA in 1998, IDFA paid maintenance fees but did not upgrade the software. The Elite software upgrade is at no-charge except for technical support and training costs.

B. Revenues: Revenues from the five Authorities are now directed to the IFA account in LaSalle Bank in Chicago. We are developing and documenting a process for recording revenues associated with their respective predecessor Authorities.

C. Audits: IFA received 2003 year-end reports from the Office of the Auditor General. IDFA and IHFA stubs are underway. Bidders conference for the IFA year-end 2004 audit took place on March 10, 2004 at the IFA office – the Auditor General's office is estimating 3000-4000 person-hours for this lump-sum audit project. We will aggressively pursue a decrease in this estimate to avoid an excessive audit fee.

IV. Legislative Issues:

A. Bond Authorization:

IFA is seeking legislation granting it $10 billion in future bond authorization, much of it in its general statute category.

B. Language Issues: The IFA legislation inadvertently picked up language that would prevent IFA from financing several categories of projects that have a religious affiliation.

IFA will seek legislation amending these provisions in order to allow this type of financing to continue with the new Authority.

Appropriation:
We testified in Springfield before the Public Safety Committee on Wednesday, March 3, 2004 in order to approve an appropriation of $250,000 for the farm loan guarantee program and the rural bond finance cost support for small municipalities. Kristi Koch provided assistance to IFA.

V. *Office Leases:*

Cushman & Wakefield is evaluating options to 1) sub-let or surrender the Prudential property, and 2) remain in the Sears Tower or another nearby Chicago Loop office space. The lease expires on September 30, 2004 as a result of a Notice of Termination filed by IDFA on September 23, 2003.

The contents of the former IHFA office in the Prudential Building will be relocated to the IFA office, off-site storage and the balance captured by CMS during the week of March 16, 2004.

MINUTES OF THE REGULARLY SCHEDULED MEETING OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORTY

The Board of Directors (the "Board) of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held its regularly scheduled meeting at 2:00 p.m., on February 17, 2004 in the State of Illinois Building, 5th floor, located at 160 North LaSalle in Chicago, Illinois.

MEMBERS PRESENT:
Timothy Ozark
David Gustman
Joseph Alford
Michael Goetz
Edward Leonard
Talat Othman
Andrew Rice
Jill Rendleman York

MEMBERS ABSENT:
Joseph Valenti

GENERAL BUSINESS ITEMS

Call to Order

Chairman Gustman called the meeting to order at 2:08, with the above members present.

Roll Call

Chairman Gustman asked Secretary Pisarcik to call the roll. Having eight members present, Chairman Gustman declared a quorum.

Item 1 – Adoption of January 23, 2004 Minutes

Upon a motion by Mr. Leonard and seconded by Mr. Ozark, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-01)

Item 2 – Acceptance of January 23, 2004 Financial Statements

Upon a motion by Mr. Othman and seconded by Mr. Leonard, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-02)

Initial Project Considerations

Item-03 ***H-HO-TE-CD-408: Central DuPage Health***

This applicant requests initial approval of **$240,000,000** in conduit 501 (c)(3), Revenue Bonds to finance a project located in **Winfield, Illinois**.

Upon a motion by Mr. Leonard and seconded by Mr. Goetz, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-03)

Item-04 ***H-HO-TE-CD-407: Swedish American Health System***

This applicant requests initial approval of **$125,000,000** in conduit 501 (c)(3), Revenue Bonds to finance a project located in **Rockford, Illinois**.

Upon a motion by Mr. Rice and seconded by Mr. Othman, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-04)

Item-05 ***H-HO-TE-CD-405: Children's Memorial Medical Centuer***

This applicant requests initial approval of **$56,000,000** in conduit 501(c)(3), Revenue Bonds to finance projects located in **Chicago, Illinois.**

Upon a motion by Mr. Othman and seconded by Mr. Ozark, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-05)

Item-06 ***H-HO-TE-CD-406: Riverside Health System***

This applicant requests initial approval of **$40,000,000** in conduit 501(c)(3), Revenue Bonds to finance projects located in **Kankakee, Illinois** and **Bourbonnais, Illinois**.

Upon a motion by Mr. Goetz and seconded by Mr. Rice, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-06)

Item-07 ***H-HO-TE-CD-409: Southern Illinois Healthcare Enterprises***

This applicant requests initial approval of **$35,000,000** in conduit 501(c)(3), Revenue Bonds to finance projects located in

Carbondale, Illinois, Herrin, Illinois and **Murphysburo, Illinois**. This project is expected to create **200** construction jobs.

Upon a motion by Ms. York and seconded by Mr. Othman, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-07)

Item-08 ***M-FR-TE-NC-401: Tax-Exempt Fre$hRate™ Single Family Mortgage Revenue Bond Program, Series 2004***

This applicant requests initial approval of **$50,000,000** in tax-exempt Revenue Bonds to finance projects located **Statewide**.

Upon a motion by Mr. Leonard and seconded by Mr. Rice, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-08)

Item-09 ***N-NP-TE-CD-401: Kishwaukee Family Young Men's Christian Association, Inc. (Kishwaukee Family YMCA)***

This applicant requests initial approval of **$1,000,000** in conduit 501(c)(3), Revenue Bonds to finance a project located in **Sycamore, Illinois**. This project is expected to create **16** new jobs and **50** construction jobs.

Upon a motion by Mr. Othman and seconded by Mr. Leonard, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-09)

Item-10 ***I-ID-TE-CD-401: CFC International, Inc.***

This applicant requests initial approval of **$2,000,000** in conduit, tax-exempt, Industrial Revenue Bonds to finance a project located in **Chicago Heights, Illinois**. This project is expected to create **30** new jobs.

Upon a motion by Mr. Leonard and seconded by Mr. Ozark, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-10)

Final Project Considerations

Item-11	***H-HO-TE-CD-404: Franciscan Communities, Inc. Obligated Group (St. Joseph Village Project)***

This applicant requests final approval of **$21,000,000** in conduit 501(c)(3), Revenue Bonds to finance a project located in **Chicago, Illinois**. This project is expected to create **100** construction jobs

Upon a motion by Mr. Rice and seconded by Mr. Alford, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-11)

Item-12 ***E-PC-TE-CD-406: DePaul University***

This applicant requests final approval of **$60,000,000** in conduit 501(c)(3), Revenue Bonds to finance multiple projects located in **Chicago, Des Plaines, Naperville, Oak Forest, Lake Forest** and **Rolling Meadows, Illinois**.

Upon a motion by Mr. Othman and seconded by Mr. Goetz, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-12)

Item-13 ***E-PS-TE-CD-403: Alliance for Character in Education***

This applicant requests final approval of **$5,650,000** in conduit 501(c)(3), Revenue Bonds to finance projects located in **Des Plaines, Illinois** and **Niles, Illinois**. It is expected that these projects will create **5** new jobs and **64** construction jobs.

Upon a motion by Mr. Goetz and seconded by Mr. Rice, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-13)

Item-14 ***N-NP-TE-CD-403: Community Action Partnership of Lake County***

This applicant requests final approval of **$7,350,000** in conduit 501(c)(3), Revenue Bonds to finance a project located in **Waukegan, Illinois**. It is expected that this project will created **14** new jobs and **146** construction jobs.

Upon a motion by Mr. Ozark and seconded by Mr. Alford, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-14)

Item-15 **_N-NP-TE-CD-402: Huskies Hockey Club, Inc. (Internationale Ice Centre Development Project)_**

This applicant requests final approval of **$13,000,000** in conduit 501(c)(3), Revenue Bonds to finance a project located in **Romeoville, Illinois**. It is expected that this project will create **10** new jobs and **150** construction jobs.

Upon a motion by Mr. Othman and seconded by Mr. Rice, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-15)

Item-16 **_L-PW-TE-CD-402: Pooled Warrant Program for Illinois School Districts 2004-A_**

This applicant requests final approval of **$18,300,000** in tax anticipation warrants to cover operational costs for the **Springfield Public School District #186 ($15,000,000), Nippersink School District #2 ($2,000,000), Massac County Community Unit School District #1 ($1,000,000)** and **Grand Ridge Community Consolidated School District #95 ($300,000)**.

Upon a motion by Mr. Ozark and seconded by Mr. Alford, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-16)

Item-17 **_L-PG-TE-MO-401: Local Government Pooled Bond Program 2004-A_**

This applicant requests final approval of **$3,140,000** in Local Government Bonds to finance projects for the **Villages of Norris City ($575,000), Williamsville ($440,000)** and **Farmington ($2,125,000)**. These bonds will carry the Moral Obligation of the State of Illinois.

Upon a motion by Mr. Rice and seconded by Mr. Leonard, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-17)

Item-18 **_B-LL-TX-401: Alvar, Inc._**

This applicant requests final approval of **$100,000** in Participation Loans to finance a project located in **Washburn, Illinois**. This project is expected to create **5** new jobs and **20** construction jobs.

Upon a motion by Mr. Othman and seconded by Mr. Goetz, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-18)

Project Revisions/Amendatory Resolutions

Item-19 ***<u>Trinity International University</u>***

This applicant requests a revision to amend the structure of its Series 2000-A and Series 2000-B Tax Exempt Bonds to include a new series of Variable Rate Multi-Mode Bonds in the form of a "Bank Mode."

Upon a motion by Mr. Goetz and seconded by Mr. Rice, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-19)

Item-20 ***<u>9801-NP: National Commission on Correctional Healthcare Project</u>***

This applicant requests a restructuring of the interest rate calculation method on its Illinois Development Finance Authority conduct, 501(c)(3) Revenue Bonds, Series 2003.

Upon a motion by Mr. Ozark and seconded by Mr. Othman, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions/present. (04-02-20)

There being no further business, Chairman Gustman adjourned the meeting at approximately 2:50 P.M.

Respectfully Submitted,

Michael R. Pisarcik, Secretary

ILLINOIS FINANCE AUTHORITY
INCOME STATEMENT
FOR THE PERIOD ENDED JANUARY 31, 2004

	JANUARY 31, 2004	YEAR-TO-DATE
REVENUE		
INTEREST ON LOANS	$ 11,832	$ 11,832
INVESTMENT INTEREST & GAIN/(LOSS)	60,666	60,666
ADMINISTRATION & APPLICATION FEES	30,681	30,681
OTHER INCOME	7,547	7,547
TOTAL REVENUE	110,726	110,726
EXPENSES		
EMPLOYEE RELATED EXPENSES		
COMPENSATION & TAXES	203,257	203,257
BENEFITS	34,407	34,407
TEMPORARY HELP	597	597
TRAVEL & AUTO	1,168	1,168
TOTAL EMPLOYEE RELATED EXPENSES	239,429	239,429
PROFESSIONAL SERVICES		
CONSULTING, LEGAL & ADMINISTRATION	25,985	25,985
LOAN EXPENSE & BANK FEES	1,439	1,439
ACCOUNTING & AUDITING	39,348	39,348
MARKETING GENERAL	57	57
MARKETING-STAFF	260	260
VENTURE CAPITAL CONFERENCE/TRAINING	540	540
DATA PROCESSING	2,431	2,431
TOTAL PROFESSIONAL SERVICES	70,060	70,060
OCCUPANCY COSTS		
OFFICE RENT	30,838	30,838
SECURITY	75	75
EQUIPMENT RENTAL AND PURCHASES	1,364	1,364
TELECOMMUNICATIONS	2,604	2,604
UTILITIES	852	852
DEPRECIATION	804	804
TOTAL OCCUPANCY COSTS	36,536	36,536
GENERAL & ADMINISTRATION		
OFFICE SUPPLIES	1,231	1,231
BOARD BOOK-PRINTING	366	366
PRINTING	437	437
POSTAGE & FREIGHT	2,811	2,811
MEMBERSHIP & DUES	885	885
PUBLICATIONS	753	753
OFFICERS & DIRECTORS INSURANCE	7,439	7,439
MISCELLANEOUS	8,552	8,552
TOTAL GENERAL & ADMINISTRATION EXPENSES	22,473	22,473
TOTAL EXPENSES	368,498	368,498
NET INCOME/(LOSS) BEFORE UNREALIZED GAIN/(LOSS)	**(257,772)**	**(257,772)**
NET UNREALIZED GAIN/(LOSS) ON INVESTMENT	**(657)**	**(657)**
NET INCOME/(LOSS)	**(258,428)**	**(258,428)**
TOTAL EQUITY - BEGINNING	**69,753,683**	**69,753,683**
PRIOR PERIOD ADJUSTMENT	**183,916**	**183,916**
TOTAL EQUITY-ENDING	**$ 69,679,170**	**$ 69,679,170**

ILLINOIS FINANCE AUTHORITY
BALANCE SHEET
JANUARY 31, 2004

	JANUARY 1, 2004	JANUARY 31, 2004
ASSETS		
CASH & INVESTMENTS, UNRESTRICTED	$ 30,505,747	$ 30,578,901
RECEIVABLES, NET	7,118,929	6,761,876
OTHER RECEIVABLES	1,247,518	1,249,791
PREPAID EXPENSES	16,780	62,558
TOTAL CURRENT ASSETS	38,888,974	38,653,126
FIXED ASSETS,		
NET OF ACCUMULATED DEPRECIATION	31,505	30,702
DEFERRED ISSUANCE COSTS	1,002,918	1,002,918
OTHERS ASSETS - RESTRICTED		
CASH, INVESTMENTS & RESERVES	25,124,968	25,177,657
VENTURE CAPITAL INVESTMENTS	4,603,897	4,603,897
OTHER	3,818,494	3,839,475
TOTAL OTHER ASSETS	33,547,359	33,621,029
TOTAL ASSETS	**$ 73,470,756**	**$ 73,307,775**
LIABILITIES		
CURRENT LIABILITIES	$ 804,007	$ 715,538
LONG-TERM LIABILITIES	2,913,067	2,913,067
TOTAL LIABILITIES	**3,717,074**	**3,628,605**
EQUITY		
CONTRIBUTED CAPITAL	36,060,658	36,060,658
RETAINED EARNINGS	10,146,587	10,330,503
NET INCOME/(LOSS)	-	(258,428)
RESERVED/RESTRICTED FUND BALANCE	11,180,655	11,344,111
UNRESERVED FUND BALANCE	12,365,783	12,202,326
TOTAL EQUITY	**69,753,683**	**69,679,170**
TOTAL LIABILITIES & EQUITY	**$ 73,470,756**	**$ 73,307,775**

IFA

1. Revenue from issuance/administrative fees on financing deals are not reflected in the January 2004 income statement. Total revenue for IFA at January 31, 2004 totaled $110,726. IDFA had revenues of $99,801 for January 2003.

2. Activity for the Construction Notes Funds, Aggregate Bond Funds and Interest Buy Back Program is not included in the financial statements because the information was not available.

3. Deferred issuance cost does not reflect January 2004 amortization activity because the information was not available.

4. The restricted cash balance of $25,177,657 includes $17,745,710 that is maintained in the State Treasury.

5. No additional liability was recorded for operating leases.

6. Audit and accounting costs totaling $35,000 have been accrued and are reflected at January 31, 2004.

7. The Executive Director's salary has been accrued for January and is reflected in the financial statements accordingly.

8. Prior period adjustments totaling $183,916 represent the reversal of expenses recorded in December 2003 for compensated absences and corporate insurance.

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors

From: Rich Frampton, Principal Program Administrator

Date: March 15, 2004

Re: Overview Memo for Republic Services, Inc. Project

- **Transaction: Republic Services, Inc.**
- **IFA Project: P-SW-PO-TE-CD-402**
- **Borrower/Project Name:** Republic Services, Inc. and its affiliates
- **Locations:** DeSoto (Jackson County) and Mt. Prospect (Cook County)
- **Principal Project Contact:** Ed Lang, VP Finance, Republic Services, Inc., Ft. Lauderdale, FL
- **Board Action Requested:** Preliminary Bond Resolution
- **Amount:** not to exceed $18 million, comprised of
  - New Money: $8 million (DeSoto only)
    - Uses: Landfill cell construction; Machinery and equipment
  - Refunding: $10 million (DeSoto and Mt. Prospect) of Series 2001 IFA (IDFA) Bonds
- **Project Type: Solid Waste Disposal Revenue Bonds**
- **IFA Benefits:**
  - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
  - **New Money Bonds:**
    - convey tax-exempt status
    - will use dedicated 2002 Carryforward Volume Cap designated specifically for Solid Waste
  - **Refunding Bonds:** enable a floating to fixed rate conversion on $10 million of IFA (IDFA) Series 2001 Bonds
- **IFA Fees**: One-time, upfront closing fee will be $110,000
- **Structure/Ratings:**
  - Bonds to be sold directly based on Republic Services' investment grade credit rating, without outside credit enhancement
  - **Ratings** – investment grade ratings based on cash flows and liquidity on Republic's balance sheet. Recent credit ratings trends have been positive as evidenced by Moody's and S&P ratings upgrades in 2003.
    - **Moody's:** Baa2/Stable (upgraded from Baa3 as of May 27, 2003)
    - **S&P:** BBB+/Stable (upgraded from BBB as of May 28, 2003)
    - **Fitch:** BBB+/Stable (affirmed June 20, 2003)

- **Interest Rate Savings from Refunding:** Because the purpose of the IFA Series 2004 B Refunding Bonds is to convert floating rate bonds to fixed rate mode, the IFA Series 2004B Refunding Bonds will not result in any reduction in debt service payments.
- **Current and estimated rates on Refunding Bonds:** Series 2001 Bonds – 7-day floating rate bonds; 25-year maturity. Refunding and new money bond rates estimated at approximately 5.25% for 25 years. Existing effective rate on 7-day floating rate bonds is approximately 2.00%.

- **Comments:**
  - **Republic Services, Inc. is a publicly-held company traded on the NYSE under the ticker "RSG".**
  - Moody's and S&P upgraded Republic's unsecured corporate debt ratings in 2003.
  - Republic has the highest credit ratings of any company in the solid waste services business.

- **Attachment:**
  - IFA Board Summary

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY

Transaction: Republic Services, Inc. and its affiliates

STATISTICS

Project Number:	P-SW-PO-TE-CD-402	Amount:	$18,000,000 (New Money: $8,000,000; Current Refunding: $10,000,000)
Type:	Solid Waste	IFA Contact:	Rich Frampton
Locations:	DeSoto (Jackson County) and Mt. Prospect (Cook County)	Tax ID:	65-0716904
SIC Code:	5620	Est. fee:	$105,000

BOARD ACTION

Preliminary Bond Resolution
Conduit Solid Waste Revenue Bonds
No IFA funds at risk
Staff recommends approval
No extraordinary conditions

PURPOSE

- <u>Series 2004A Bonds (New Money):</u> Bond proceeds will be used to finance landfill improvements and to purchase equipment for use at Republic's Southern Illinois Regional Landfill in DeSoto (Jackson County).

- <u>Series 2004B Bonds (Current Refunding):</u> Rationale: Conversion of existing Series 2001 Bonds from variable rate to a fixed rate thereby locking-in current, low fixed market rates. The Series 2001 Bonds financed (1) landfill cell improvements and equipment at the DeSoto landfill facility, and (2) building renovation/addition and new hauling trucks and containers for the Company's Arc Disposal & Recycling solid waste transfer station in Mt. Prospect (Cook County).

IFA CONTRIBUTION

This project will use up to $8.0 million of unused 2002 IFA Carryforward Volume Cap designated for Solid Waste Disposal Revenue Bond projects. Overall, IFA has existing inducements of $84 million outstanding and will have $71 million of unused 2002-2003 Carryforward Volume Cap available assuming this transaction closes. *<u>No current year (2004) IFA Volume Cap will be used for this project.</u>*

VOTING RECORD

This is the first time this project has been presented to the IFA Board of Directors.

PRELIMINARY SOURCES AND USES OF FUNDS

Sources:	Series 2004 A Bonds	$8,000,000	Uses:	New Project Cost	$8,000,000
	Series 2004 B Refunding Bds.	10,000,000		Refunding Bonds	10,000,000
	Bank Term Loan/Line of Cr.	325,000		Costs of Issuance	325,000
	Total	**$18,325,000**		**Total**	**$18,325,000**

ESTIMATED NEW PROJECT COSTS

Landfill Cell Improvements:	$7,000,000
Equipment:	1,000,000
Total:	**$8,000,000**

JOBS

Current employment:	256	Projected new jobs:	14
Jobs retained:	Not applicable	Construction jobs:	10-15 (7-9 months); cell construction to be completed by outside vendors.

BUSINESS SUMMARY

Background: **Republic Services, Inc.** ("Republic" or the "Company") was established and incorporated under State of Delaware law in 1980. Republic's stock is sold publicly on the NYSE (ticker symbol **RSG**).

Description: Republic Services is the third largest provider of non-hazardous solid waste services in the United States (trailing only Waste Management, Inc. and Allied Waste Services, Inc.). Republic provides collection services for commercial, industrial, municipal, and residential customers through more than 142 collection companies in 22 states. The Company also operates 90 waste transfer stations, 57 landfills, and 33 recycling facilities.

Republic's Illinois operations employ 256 people. Operations include the Southern Illinois Regional Landfill in DeSoto (Jackson County) and four transfer station/recycling facilities located in Marion (Williamson County), Mount Prospect (Cook County), Mt. Vernon (Jefferson County), and Sparta (Randolph County).

The proposed new money bonds will finance expansion of the Company's existing Southern Illinois Regional Landfill in DeSoto. The Company's DeSoto landfill is owned by Southern Illinois Regional Landfill, Inc., a wholly-owned subsidiary of Republic Services, Inc.

Permit Status: The subject facilities, construction, and improvements to be financed through the proposed bond issue are fully permitted by the Illinois EPA.

Financials: Audited Financial Statements for Fiscal Years 2000-2002
No projections were prepared since Republic Services is a public company, pursuant to SEC regulations.

Year Ended December 31 *(Dollars in Millions)*

	2000	2001	2002	2003
		Historical		*Pre-10K*
Income statement:				
Sales	$2,103	$2,258	$2,365	$2,518
Net income	221	126	240	178
EBITDA	638	599	654	665
Balance sheet:				
Current Assets	784	332	406	Not
PP&E	1,096	1,606	1,668	released
Other Assets	932	1,351	1,488	until late
Total	**2,812**	**3,289**	**3,562**	March
Current Liabilities	785	385	382	2004
Long Term Liabilities	557	1,152	1,200	(10-K)
Other Non-Cur. Liab.	171	249	305	
Equity	1,299	1,503	1,675	
Total	**2,812**	**3,289**	**3,562**	
Ratios:				
Debt/Fixed Oblig Cov.	4.60x	5.25x	8.17x	9.29x
*Recast Debt/Fixed Oblig. Cov.	4.49x	5.09x	7.82x	8.85x
Current Ratio	1.06	0.84	1.15	Not
Debt/Equity	0.77	0.78	0.75	available

***Note:** Recast coverage adds the proposed debt service payments attributable to the Series 2004 Bonds to the Company's existing debt service payments to determine adequacy of historical cash flows to service the proposed debt.

Discussion: Republic has recorded compound average sales growth of 6.18% over the last three years. This growth was attributable to both almost equally to price increases (50%) and volume increases (50%).

Republic has generated strong adjusted earnings (EBITDA) resulting in recast debt service coverage of 4.49 times or better over the last four years (4.60 times or better if the proposed financing is excluded). Accordingly, recast debt service was computed instead, thereby indicating Republic's ability to cover the proposed and its historical debt service payments with historical cash flows.

The proposed IFA new money bonds will be issued in conjunction with a multi-state financing that will include a current refunding of approximately $72.5 million of floating rate tax-exempt bonds in Michigan, Wisconsin, Ohio, as well as IFA's (IDFA's) Series 2001 Bonds. The IFA new money bonds will represent the only new debt resulting from this transaction. Annual debt service on IFA's new money bonds is estimated at $575,000 annually, compared to historical corporate principal and interest payments of $81 million in 2002. The proposed multi-state refunding is expected to increase annual interest expense by approximately $3 million annually. Accordingly, the proposed new money bonds and refunding bonds did not have a significant impact on recast debt service/fixed obligation coverage as reported above.

The Company's debt service coverage has improved over the period primarily reflecting a reduction in principal payments – Republic's adjusted net income (EBITDA) has been relatively constant, ranging from $599 million to $665 million. The stability in Republic's earnings reflects both the annuity-like characteristics of the Company's revenues and the Company's effective management.

Republic has a $750 million unsecured credit facility. Agent banks include Bank of America, Bank One, and Citibank. Republic had approximately $390 million of availability under this revolving credit facility as of 9/30/2003.

FINANCING SUMMARY

Security:	Bondholders will be secured directly by the assets of Republic Services, Inc.
Structure:	Fixed rate bonds sold based on the long-term ratings of Republic Services, Inc.
Ratings:	**Republic's long-term senior unsecured debt is currently rated Baa2/Stable as of 11-15-2003 (Moody's), BBB+/Stable as of 5-28-2003 (S&P), and BBB+/Stable as of 6-20-2003 (Fitch).**
Maturity:	Not to exceed 30 years (25 years likely based on IFA (IDFA) Series 2001 Bonds)
Estimated Rate:	5.25% Fixed

INTEREST SAVINGS

Because the purpose of the IFA Series 2004 B Refunding Bonds is to convert floating rate bonds to fixed rate mode, the IFA Series 2004B Refunding Bonds will not result in any reduction in debt service payments. The impact of the increased payments is reflected in the recast debt service/fixed obligation coverages reported in the financial summary section of this report.

The proposed multi-state floating-to-fixed refunding is expected to increase annual interest expense by approximately $3 million annually. The resulting $3 million increase in interest payments will insignificant compared to Republic's 2002 total annual debt service payments of $80 million. Accordingly, the impact on future debt service coverage will be minimal.

PROJECT DESCRIPTION FOR IFA BOND RESOLUTION

Bond proceeds will be used to finance landfill construction, equipping, and related improvements located on an approximately 250 acre site at 1540 Landfill Road, DeSoto (Jackson County), Illinois 62924. The facility is owned and operated by Southern Illinois Regional Landfill, Inc., a wholly-owned subsidiary of Republic Services, Inc. Republic Services, Inc. will be the obligor on the subject Bonds.

Bond proceeds will also be used to current refund 100% of the outstanding principal balance of Series 2001 IDFA Bonds that financed the costs of (i) the acquisition of collection vehicles and containers and the construction, renovation, and equipping of the Company's Arc Disposal Company, Inc. waste transfer station at 2101 South Busse Road, Mount Prospect (Cook County), Illinois 60056, and (2) landfill construction, equipping, and related improvements located on an approximately 250 acre site at 1540 Landfill Road, DeSoto (Jackson County), Illinois 62924.

Bond proceeds will be applied to pay costs of issuance.

Project costs are estimated as follows:

Landfill Cell Improvements:	$7,000,000
Equipment:	1,000,000
Total:	**$8,000,000**

ECONOMIC DISCLOSURE STATEMENT

Applicant:	Republic Services, Inc. (Contact: Mr. Edward ("Ed") A. Lang, III, Vice President Finance & Treasurer, Republic Services, Inc., 110 SE 6th Street, 28th Floor, Fort Lauderdale, FL 33301; Ph.: 954/769-3591; Fax: 954/769-6407; e-mail: lange@repsrv.com).
Project Name:	Republic Services, Inc. (Southern Illinois Regional Landfill, Inc. and Arc Disposal & Recycling, Inc.)
Project Locations:	(1) <u>*New Money/Refunding:*</u> Southern Illinois Regional Landfill, Inc., 1540 Landfill Road, DeSoto (Jackson County), Illinois 62924 (2) <u>*Refunding only:*</u> Arc Disposal & Recycling, Inc., 2101 S. Busse Road, Mt. Prospect (Cook County), Illinois 60056
Land Owner:	*The subject properties are owned by Southern Illinois Regional Landfill, Inc. and Arc Disposal & Recycling, Inc., both of which are wholly owned subsidiaries of Republic Services, Inc.*
Organization:	Corporation
State:	Delaware
7.5% or Greater Ownership:	**Republic Services, Inc. (all shareholders noted below are institutional investors)**

- Cascade Investment LLC, Kirkland, WA, 11.41%. The shares owned by Cascade may be deemed beneficially owned by William H. Gates, III, and the Bill and Melinda Gates Foundation.
- Wellington Management Company. LLP, Boston, MA: 9.48%

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Akerman, Senterfitt & Eidson, P.A.	Orlando, FL	Joe Stanton
Bond Counsel:	Chapman and Cutler, LLP	Chicago, IL	Andrea Bacon
Underwriter:	Banc One Capital Markets, Inc.	Chicago, IL	John Raben, Jr.
Placement Counsel:	Chapman and Cutler, LLP	Chicago, IL	Andrea Bacon
Accountant:	Ernst & Young, LLP	Miami, FL	Dennis Pastrana
Letter of Credit:	Bank One, NA	Chicago, IL	Kim Striegel
LOC Bank Counsel:	Bank One, NA (in-house counsel)	Chicago, IL	Anne Fritz
General Contractor:	Republic Services, Inc.	Ft. Lauderdale, FL	
Trustee:	Wells Fargo Bank, N.A.		
Issuer's Counsel:	To be determined		

LEGISLATIVE DISTRICTS

	DeSoto	Mt. Prospect
Congressional:	12	6
State Senate:	58	25
State House:	115	53

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ILLINOIS DEVELOPMENT FINANCE AUTHORITY
BOARD SUMMARY
March 15, 2004

Transaction: The Steel Works, L.L.C.

STATISTICS

Deal Number:	I-ID-TE-CD-402	Amount:	$4,000,000 (not to exceed)
Type:	Industrial Revenue Bonds	PA:	Marcia Cochran
Location:	Granite City, IL	Tax ID:	37-1367334
SIC Code:	5051	Est. fee:	$30,800

BOARD ACTION

Preliminary Bond Resolution
Conduit Industrial Revenue Bonds
No IFA Funds at Risk

Staff Recommends Approval
No Extraordinary Conditions

PURPOSE

Bond proceeds will be used to finance the construction of a building, the purchase of machinery and equipment and to pay certain bond issuance costs.

IFA CONTRIBUTION

- The Applicant will be seeking approximately $4 million of 2004 IFA Volume Cap.
- Federal income tax exempt status on bond interest.

VOTING RECORD

This is the first time this project has been presented to the IFA Board of Directors.

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	$3,745,000	Uses:	Project Costs	$3,674,800
	Equity	49,800		Bond Issuance Costs	120,000
	Total	**$3,794,800**		**Total**	**$3,794,800**

JOBS

Current employment:	35	Projected new jobs:	28
Jobs retained:	N/A	Construction jobs:	25

BUSINESS SUMMARY

Background: The Steel Works, L.L.C. (the "Company") is a limited liability company, incorporated in February, 1998. The Company is an intermediate steel processing company, specializing in coil and coil slitting of sheet steel for numerous customers. Much of the steel processed originates from nearby Granite City Steel Company, which was recently purchased by U.S. Steel Company. The processed steel is shipped to end users for direct use in manufacturing a variety of products including appliances, automotive, construction equipment and consumer goods.

Discussion: The Steel Works is located in antiquated leased space, which is no long functionally adequate. The building is nearly 100 years old, and has no temperature and humidity control system, which is required for sensitive steel products. The Company has been looking for a new location in the Midwest, and was considering relocating to an existing building in Missouri; however, they wanted to remain in the Granite City area if possible.

The Company has received and accepted an offer from the Tri-City Regional Port District ("the Port District") to relocate its steel processing center to the Port District's Steel Center development, which is located in an Enterprise Zone and TIF District in Granite City. The Company will lease four acres of land to construct a 100,000 square foot building, including four overhead electric cranes, plus the purchase of additional new equipment.

Remarks: The Company will be the first occupant in the planned Steel Center of the Port District. The initial land lease by the Port District will be for 20 years (coterminous with the final maturity date on the Bonds. Thereafter, the Company will have options to extend the lease in ten-year increments. The Port District will provide rail, road and all utilities to The Steel Works property line at no cost. The Port District will also provide critical engineering data to facilitate cost proposals from building contractors, including aerial photography and surveys.

Financials:		
	Audited Financial Statements	12/31/01 – 12/31/02
	Company Prepared Financial Statement	12/31/03
	Company Prepared Projections	12/31/04 – 12/31/06

Year Ended December 31
(Dollars in 000s)

	Historical			Projected		
Income Statement	2001	2002	2003	2004	2005	2006
Revenue	11,054	14,393	14,141	17,676	20,660	21,350
Net Income	(386)	(85)	48	700	756	809
Balance Sheet						
Current Assets	1,930	2,775	3,064	5,223	7,074	7,979
PP&E	1,787	1,269	755	3,896	3,444	3,222
Other Assets	211	195	178	160	142	124
Total Assets	**3,928**	**4,239**	**3,997**	**9,279**	**10,660**	**11,325**
Current Liabs.	3,684	4,081	3,795	4,632	5,257	5,203
Long-Term Liabs.	1,000	------	------	3,745	3,745	3,655
Equity	(756)	158	202	902	1,658	2,467
Total Liabs.&Equity	**3,928**	**4,239**	**3,997**	**9,279**	**10,660**	**11,325**

Ratios:

Debt Service Coverage	.79	1.26	1.63	2.69	1.71	3.34
Current Ratio	.53	.68	.81	1.13	1.35	1.54
Long-Term Debt to Equity	--	8.21	6.03	4.49	2.62	1.49

Discussion: The Company sustained operating losses in 2001 and 2002, and members' equity was used for operations.

The following actions have been taken to improve operations and financial performance:

1. The negative net worth of ($756,000) as of 12/31/01 improved to a positive $158,000 as of 12/31/02 due to the following: David J. Roth, the holder of a $1,000,000 note payable, agreed to accept a 40% membership interest in the Company as settlement of the Company's obligation. Thereafter, this $1million liability was reclassified as equity on the Company's audited financial statements.

2. The Company's new facility will be designed to optimize workflow and operating efficiencies.

3. At the new location, Tri-City Port District will provide rail trackage, road, and all utilities to the Steel Works property line at no cost to the Company thereby helping minimize the required equity contribution.

Projections:

The Company principal, Ted Cooper, states that the revenue projections are primarily price-driven (rather than volume-driven). Prices have doubled in the last 90 days and the Company expects current prices to remain at that level going forward. Current earnings exceed $50,000 monthly. The new equipment will increase production capacity. The expanded facility will enable the Company to significantly increase raw material and finished goods warehousing on site.

Line-of-Credit:

The Company has available a $2,200,000 revolving line-of-credit with Southwest Bank of St. Louis. Interest is payable monthly at 1.25% in excess of the bank's Prime rate. The outstanding balances at December 31, 2001 and 2002 were $2,084,090 and $1,692,462, respectively. The line-of-credit is secured by accounts receivable, inventory and equipment. Additional collateral for the line-of-credit consists of the assignment of a life insurance policy and personal guarantee of one of the members.

Bond Payments:

Payments will be deferred until after SteelWorks, LLC occupies the proposed facility. Bond principal payments have been deferred until May 1, 2006.

FINANCING SUMMARY

Security: Bondholders will be secured by a Direct Pay Letter of Credit from Southwest Bank of St. Louis. Southwest Bank's debt is currently rated as follows:

- S&P: A+/Stable/A-1 (rated 5/16/03)
- Fitch: A+/Positive/F1+ (affirmed 6/30/03)

Structure: 7-day Variable Rate Demand Bonds
Maturity: 20 years

PROJECT SUMMARY

Bond proceeds will be used to finance the construction of a 100,000 square foot manufacturing facility to be located on leased land in the Tri-City Regional Port District, Granite City, Illinois (Madison County), the acquisition of machinery and equipment and to pay certain cost of issuance. Project costs are estimated as follows:

Building Construction	$2,474,800
Four Overhead Cranes	800,000
Equipment	200,000
Relocation Costs	200,000
Total	**$3,674,800**

ECONOMIC DISCLOSURE STATEMENT

Applicant:	The Steel Works, L.L.C.	
Project name:	The Steel Works, L.L.C. New Building Project	
Location:	Tri-City Regional Port District 1635 W. First, Granite City, IL 62040-1838	
Organization:	Limited Liability Company	
State:	Illinois	
Ownership:	Ted S. Cooper	55%
	David J. Roth	40%
	Greg T. Dell	5%

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Burroughs, Hepler, Broom, MacDonald, Hebrank & True, LLP	Edwardsville, IL	Gary E. True
Accountant:	Mueller, Prost, Purk & Willbrand, P.C.	St. Louis, MO	
Bond Counsel:	Chapman and Cutler, LLP	Chicago, IL	Chuck Jarik
Underwriter:	Stifel Nicholaus & Company, Inc.	Edwardsville, IL	Mary Kane
Underwriter Counsel:	Chapman and Cutler, LLP	Chicago, IL	Chuck Jarik
LOC Bank:	Southwest Bank	St. Louis, MO	John Haffenreffer
Trustee:	To Be Determined		
Issuer's Counsel:	To Be Determined		

LEGISLATIVE DISTRICTS

Congressional:	12	Jerry Costello
State Senate:	57	James F. Clayborne, Jr.
State House:	114	Wyvetter H. Younge

Beginning Farmer Bond Program

The purpose of the Beginning Farmer Bond Program, begun in 1983, is to provide affordable financing to new, low net worth farmers for financing capital purchases. IFA works with the borrower's local lender to provide this financing. IFA issues a tax-exempt bond for the amount and with the terms of the loan. Because the interest income to the lender is exempt from federal income tax, the lender is able to charge a lower rate to the borrower.

The eligible borrower is at least eighteen years of age, has net worth of not more than $250,000, and has not had any prior direct or indirect ownership interest in a substantial amount of land. The borrower must be the principal user of the project. The maximum loan amount is $250,000, and loan proceeds may be used to acquire agricultural land, new depreciable property, or used depreciable property in conjunction with agricultural land.

The Authority issues a bond for each loan, in the amount of and terms of the loan as determined by the Lender. The bond proceeds are then loaned to the borrower by the Authority. The borrower signs a note to the Authority, and the Authority assigns the note to the lender as payment of the bond. The loan and the bond are secured solely by the collateral required by the lender and are not obligations of IFA or of the State of Illinois.

The Lender Loan Agreement provides that the Lender will act as agent and fiduciary for IFA in connection with the loan. The principal and interest of the Bond are payable solely out of the revenue derived from the Borrower's Promissory Note, which is secured by collateral furnished by the Borrower. The Bond that is issued by IFA and purchased by the Lender is a non-recourse obligation. The principal and interest on the Bond do not constitute an indebtedness of IFA or a charge against its general credit or general fund.

Applications are reviewed by IFA staff to determine the applicant's eligibility, then sent to bond counsel, Jenner and Block, for approval. Applications are presented to the IFA Board for an inducement resolution. The Authority then holds a public hearing on the project before returning it to the Board for bond resolution.

BEGINNING FARMER BOND LOANS
New Projects for Inducement Resolution
March 15, 2004

Project Number:	A-FB-TE-CD-404
Borrower(s):	Mark D. Dozier and Kelli J. Dozier
City:	Morrisonville
Amount:	$250,000
Use of Funds:	Farmland
County:	Christian
Lender/Bond Purchaser:	Peoples Bank & Trust, Pana

BEGINNING FARMER BOND LOANS
New Projects for Inducement Resolution
March 15, 2004

Project Number:	A-FB-TE-CD-401
Borrower(s):	Alexander Chung and Tricia Chung
City:	Peru
Amount:	$207,900
Use of Funds:	Farmland
County:	LaSalle
Lender/Bond Purchaser:	Illini State Bank, Tonica

BEGINNING FARMER BOND LOANS
New Projects for Inducement Resolution
March 15, 2004

Project Number:	A-FB-TE-CD-403
Borrower(s):	Paul B. Hooks and Pamela S. Hooks
City:	Mason
Amount:	$207,500
Use of Funds:	Farmland
County:	Effingham
Lender/Bond Purchaser:	First Mid-Illinois Bank & Trust, Altamont

BEGINNING FARMER BOND LOANS
New Projects for Inducement Resolution
March 15, 2004

Project Number:	A-FB-TE-CD-408
Borrower(s):	Matthew Lynn Merritt and Michelle Elaine Merritt
City:	Carthage
Amount:	$152,000
Use of Funds:	Farmland
County:	Hancock
Lender/Bond Purchaser:	First Community Bank, Carthage

BEGINNING FARMER BOND LOANS
New Projects for Inducement Resolution
March 15, 2004

Project Number:	A-FB-TE-CD-402
Borrower(s):	Robert H. Goeddeke and Julia A. Goeddeke
City:	Poplar Grove
Amount:	$150,000
Use of Funds:	Farmland and Depreciable Property
County:	Boone
Lender/Bond Purchaser:	Belvidere National Bank & Trust Company

BEGINNING FARMER BOND LOANS
March 15, 2004

Project Number:	A-FB-TE-CD-407
Borrower(s):	Ronald J. Shike and Suellen J. Shike
City:	Aledo
Amount:	$140,000
Use of Funds:	Farmland
County:	Warren
Lender/Bond Purchaser:	Farmers State Bank of Western Illinois, Alexis

BEGINNING FARMER BOND LOANS
New Projects for Inducement Resolution
March 15, 2004

Project Number:	A-FB-TE-CD-406
Borrower(s):	Larry W. Messer and Susan M. Messer
City:	Goodfield
Amount:	$32,000
Use of Funds:	Farmland
County:	Woodford
Lender/Bond Purchaser:	First National Bank in Tremont

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors

From: Pam Lenane, Program Administrator

Date: March 15, 2004

Re: Overview Memo for Central DuPage Health System

- **Borrower/Project Name:** Central DuPage Health System
- **Locations:** Winfield (DuPage County)
- **Principal Project Contact:** Paul Piro, Senior Vice President, Finance, CFO
- **Board Action Requested:** Final Bond Resolution
- **Amount:** not to exceed $240,000,000, comprised of
  - New Money: $203 million
    - Uses:
      - Expansion and modernization of certain Health facilities owned by the Hospital- building a new Women and Children's Center, an ambulatory service pavilion, including physicians offices.
  - Refunding: $37million (Wyndemere Retirement Center)
- **Project Type: Hospital**
- **IFA Benefits:**
  - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
  - **New Money Bonds:** convey tax-exempt status
  - **Refunding Bonds:** the underwriter anticipates the Hospital will realize over $7.7 million in present value savings for the Series 1992 IFA (IHFA) Wyndemere Bonds.
- **IFA Fees:**
  - One-time, upfront closing fee will be $138,000
- **Structure/Ratings:**
  - **Structure**- Underwriter plans to issue $100 million of VRDNs and $140 million of Periodic Auction Reset Securities (PARS). CDH intends to issue these bonds without enhancement, but will retain liquidity for the VRDNs.
  - **Ratings** – CDH's long-term ratings are currently AA/AA-/Stable (S&P/Fitch). Both agencies have verbally indicated their respective ratings will be retained in the AA category after this issue is rated.
  - **Days cash on hand** – 449 days

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY

Deal: Central DuPage Health

STATISTICS

Deal Number:	H-HO-TE-CD-408	Amount:	$240,000,000 (not to exceed amount)
Type:	Not-for-Profit Bond	IFA Contact:	Pam Lenane
Locations:	Winfield	Est fee:	$138,000

BOARD ACTION

Final Bond Resolution	Staff recommends approval
Conduit 501(c)(3) bonds	No extraordinary conditions
No IFA funds at risk	

PURPOSE

Bond proceeds will finance the expansion and modernization of certain health facilities owned by Central DuPage Health and refinance existing tax-exempt bonds previously issued on behalf of Wyndemere Retirement Center.

IFA CONTRIBUTION

Federal Tax-Exempt status on the Bonds

VOTING RECORD

The IFA Board gave its initial approval for this project on February 17, 2004 by the following vote:

Ayes-8	Absent-1 (Valenti)	Vacancies-6

SOURCES AND USES OF FUNDS

Sources:	IFA bonds	$240,000,000	Uses:	Project Costs	$188,723,447
	Estimated Bond Funds	1,069,922		Refunding Escrow	38,086,422
				Capitalized Interest	12,508,053
				Estimated Issuance Costs	1,752,000
	Total	$241,069,922		Total	$241,069,922

* Subject to change depending on market conditions prevailing when the Bonds are priced.

JOBS

Current employment:	2,600 FTEs	Projected new jobs:	125
Jobs retained:	0	Construction jobs:	400

BUSINESS SUMMARY

Background: Central DuPage Health was incorporated in 1980 as an Illinois not-for-profit corporation and is the parent corporation of an integrated network of health care organizations (the "System") serving western DuPage and Kane Counties, Illinois.

Description: Central DuPage Health's primary affiliate is Central DuPage Hospital Association (the "Hospital"), which was formed in 1958 by a group of concerned citizens and began operating a general acute-care hospital in 1964 in Winfield, Illinois, approximately 30 miles west of Chicago.

The System consists of Central DuPage Health and the following controlled affiliates (the "Affiliates") of which Central DuPage Health is the sole voting member:

- Central DuPage Hospital Association - owns and operates a 394 licensed bed, acute-care hospital providing inpatient, outpatient and emergency care
- Centra Corporation ("Centra") - employs or contracts with licensed physicians to provide medical care to patients, hospitals, affiliated group practices or medical care facilities
- Community Convalescent Center of Naperville, doing business as Wynscape Nursing and Rehabilitation Center ("Wynscape") - owns and operates a 209 licensed bed skilled and intermediate care nursing facility in Wheaton, Illinois
- Community Nursing Service of DuPage County, Inc., doing business as CNS Home Health ("CNS Home Health") - provides home health care services
- PAHCS II - operates a business dedicated to the advancement and promotion of health for employees of companies within the communities served by the System
- Wyndemere Retirement Community ("Wyndemere") - provides housing, health care and other related services to residents through the operation of a life care retirement facility with 219 congregate units, 26 town homes and 77 assisted living units in Wheaton, Illinois
- Central DuPage Special Health Association - a newly-formed entity that will operate a pharmaceutical distribution center serving the Affiliates and their patients

Financials: Central DuPage Health and Affiliates. Audited financial statements for fiscal years 2001, 2002 and 2003. Projections are not available.

	Fiscal Year Ended June 30 (Dollars in 000s)		
	2001	2002	2003
Statement of Operations:			
Revenue	$351,846	$391,889	$419,129
Operating Income	25,021	26,180	(3,957)
Change in Net Assets	20,593	35,680	9,468
Earnings Bef. Interest & Deprec. & Amort.	55,269	63,761	45,547
Balance sheet:			
Current Assets	$114,347	$101,581	$120,365
PP&E – Net	229,615	251,222	267,239
Other Assets	462,371	486,780	480,795
Total Assets	**$806,333**	**$839,583**	**$868,399**
Current Liabilities	62,755	63,019	83,858
LT Debt/Liabil.	243,526	242,604	241,617
Other Non-Current Liab.	45,193	45,109	44,669
Net Assets	454,859	488,851	498,255
Total Liab. & Net. Assets	**$806,333**	**$839,583**	**$868,399**

Ratios:

Debt service coverage*	4.50x	8.10x	6.66x
Days cash on hand	507	483	449
Current ratio	1.82	1.61	1.44
Debt/Net Assets	0.54	0.50	0.48

* Excludes provision for community reinvestment; excludes $25.2 million refunding of 1985A VRDNs from FY 2001 debt service.

Discussion: CDH has experienced consistently strong operations (with exception of FY 2003 due to approximately $22.5 million of non-recurring items), generating sufficient cash flow to cover its fixed obligations by multiples of 4.5 times or better. CDH also has significant liquidity, with 449 days cash on hand at the end of FY 2003.

FINANCING SUMMARY

Security: CDH's long-term ratings are currently AA/AA-/Stable (S&P/Fitch). Both agencies have verbally indicated that their respective ratings will be retained in the AA category after this issued is rated. CDH intends to issue these bonds without enhancement but will maintain liquidity for the VRDNs. Revenues of the Obligated Group will be pledged to pay debt service.

Structure: The underwriter plans to issue $100 million of VRDNs and $140 million of Periodic Auction Reset Securities (PARS). Approximately $203 million will be new money and $37 million will be a refunding.

Maturity and Amortization: The new money bonds mature 11/1/34. Principal will be redeemed each year beginning in 2009. The refunding bonds mature 11/1/22. Principal will be redeemed each year beginning in 2004.

INTEREST SAVINGS

The Underwiter anticipates that CDH will realize over $7.7 million in present value savings,of 21% of outstanding bonds refinanced. Savings are estimated assuming a 3% average interest rate on the refunding bonds, based on the most recent 10 year average rate for VRDNS of 2.9%. Interest rates on similar VRDNs were 1.03% for seven days beginning 2/25/04. The average coupon on the bonds to be refunded is 5.82%

PROJECT SUMMARy

Bond proceeds will be used to provide a portion of the funds necessary to (i) pay or reimburse CDH for the payment of the costs of acquiring, constructing, renovating, remodeling and equipping certain health facilities; (ii) refund all of the outstanding principal from the Series 1992 IFA/IHA Wyndemere Bonds.

ECONOMIC DISCLOSURE STATEMENT

Applicant: Central DuPage Health
Location: 25 North Winfield Road, Winfield (DuPage County), IL 60190
Project name: Central DuPage Health New Money and Refinancing
Organization: 501(c)(3) Not-for-Profit Corporation
State: Illinois
Board of Directors:

David J. Allen	Catherine E. Kozik
John R. Born	Richard A. Mark
James E. Comerford	Luke McGuinness (CEO)
Mark F. Daniels	Mary Lou McLennan
Mary Lou Decosterd	F. John Motsinger
Walter W. Filkin	C. William Pollard
Sara Gerlach	Christine M. Roche

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Katten Muchin Zavis Rosenman	Chicago	Renee Friedman
Accountant:	KPMG	Chicago	James Stark Justin Johnson
Bond Counsel:	Jones Day	Chicago	Mike Mitchell
Underwriter:	Goldman, Sachs & Co.	Chicago	Mark Florian and Rob Collins
Underwriter's Counsel:	Foley & Lardner	Chicago	Bob Zimmerman
Bond Trustee:	Bank One (J.P. Morgan Chase)	Chicago	Patricia Martirano
Issuer's Counsel:	Jones Day	Chicago	Mike Mitchell

LEGISLATIVE DISTRICTS

Congressional: 6-Henry J. Hyde
State Senate: 48-Peter J. Roskam
State House: 95-Randall M. Hultgren

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors

From: Pam Lenane, Program Administrator

Date: March 15, 2004

Re: Overview Memo for OSF Healthcare System

- **Borrower/Project Name:** OSF Healthcare System
- **Locations:** Peoria (Peoria County)
- **Principal Project Contact:** Dan Baker, CFO
- **Board Action Requested:** Final Bond Resolution
- **Amount:** not to exceed $100,000,000, comprised of
  - Refunding: $100,000,000 of currently refundable IFA(IHFA) Series 1993 Bonds. (The original Bonds financed facilities located in Peoria, Rockford, Bloomington, Pontiac, and Galseburg).
- **Project Type: Hospital**
- **IFA Benefits:**
  - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
  - **New Money Bonds:** convey tax-exempt status
  - **Refunding Bonds:** the underwriter anticipates that this refunding will result in a net present value savings of $8.6 million for OSF
- **IFA Fees:**
  - One-time, upfront closing fee will be $138,000
- **Structure/Ratings:**
  - **Structure**- The plan of finance contemplates the issuance of fixed rate bonds, including serial bonds maturing in 2004 through 2015 and a term bond in 2003. OSF will provide security consistent with its Master Indenture and on par with its Series 2002,2001,1999, and 1985B Bonds
  - **Ratings** – OSF's uninsured bonds are rated "A2/A/A by Moody's,S&P, and Fitch. The Series 2004 bonds are expected to carry the same rating.
  - **Days cash on hand** – 136 days

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
March 15, 2004

Deal: **OSF Healthcare System**

STATISTICS

Deal Number:	H-HO-TE-CD-410	Amount:	$100,000,000 (not to exceed amount)
Type:	Not-for-Profit Bond	PA:	Pamela Lenane
Location:	Peoria, IL	Est fee:	$138,000

BOARD ACTION

Final Bond Resolution
Conduit 501(c)(3) bonds
No IFA funds at risk

Staff recommends approval
No extraordinary conditions

PURPOSE

Bond proceeds will be used for the (i) current refunding of the callable IFA (IHFA) Series 1993 Bonds and (ii) to pay bond issuance costs.

IFA CONTRIBUTION

Federal income tax exempt status on bond interest.

VOTING RECORD

This is the first time this project has been presented to the Board.

SOURCES AND USES OF FUNDS

Sources:	Bonds	$100,000,000	Uses:	Refunding Escrow	$99,500,000
	1993 Debt Service Res.	9,300,000		Cost of Issuance	800,000
				Debt Service Res.	9,000,000
	Total	$109,300,000		Total	$109,300,000

JOBS

Current employment:	8602 FTE's	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	N/A

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. 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 1432 licensed acute care beds and 124 licensed long term care beds. The Corporation's largest hospital, St. Francis Medical Center in Peoria, is a 731-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 34 hospital-based outpatient facilities, approximately 72 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.

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). The facility in Michigan, St. Francis Hospital, is located in Escanaba.

Financials: Audited Financial Statements for Fiscal Years 2001-2003

($ in millions)	Fiscal Years Ended September 30, 2001	2002	2003
Income Statement			
Support and Revenues	$810	885	979
Revenue Over Expenses – Operating Income	23	3	14
*EBIDA	79	65	79
Balance Sheet			
Current Assets	479	522	544
PP&E	364	401	432
Other Assets	119	132	124
Total Assets	**962**	**1055**	**1100**
Current Liabilities	103	106	117
Debt	340	413	408
Other Liabilities	43	68	137
Total Net Assets	476	468	438
Total Liabilities and Net Assets	**962**	**1055**	**1100**
Ratios			
Debt Service Coverage	4.3x	3.1x	3.3x
Days cash			136
Current Ratio	4.7	4.9	4.7
Debt / Total Net Assets	41.9	47.5	49.0

Discussion: OSF's positive financial results in recent years reflect the Corporation's commitment towards execution of its strategies to provide healthcare services to the residents of Northern and Central Illinois and the Upper Peninsula of Michigan. The key strategies are to solidify the strength of the acute care hospitals, enhance the financial performance of the OSF Medical Group, redefine the position of the OSF Health Plans as a supporting strategy for the owned health care providers, strengthen the relationship with specialty care physicians that utilize the Corporation's facilities and solidify the development of the independent affiliated regional community hospitals and allied health providers.

FINANCING SUMMARY

Security: OSF would provide security consistent with its Master Indenture and on par with its Series 2002, 2001,1999, and 1985B Bonds. The Master Indenture includes an unrestricted revenue pledge. OSF's uninsured bonds are rated A2/A/A by Moody's/S&P/Fitch. The Series 2004 bonds are expected to carry the same rating.

Structure: The current plan of finance contemplates the issuance of fixed rate bonds, including serial bonds maturing in 2004 through 2015 and a term bond in 2023.

Maturity: 2023 (coincides with the final maturity of the 1993 bonds that are being refunded)

INTEREST SAVINGS

This refunding will result in net present value savings for OSF of approximately $8.6 million.

PROJECT SUMMARY

Bond proceeds will be used to (i) currently refund the callable IFA (IHFA) Series 1993 Bonds and (ii) pay bond issuance costs. The original Bonds financed facilities are located in Peoria, Rockford, Bloomington, Pontiac, and Galesburg.

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 of Directors:	Sister Mary Ellen Flannery, O.S.F., Chairperson Sister Judith Ann Duvall, O.S.F., President and Assistant Secretary Sister Mary John Harvey, O.S.F. Sister M. Patricia Klosinski, O.S.F., Secretary Sister Maria Elena Padilla, O.S.F. Sister Diane Marie McGrew, O.S.F., Treasurer Sister M. Ludgera Pieperbeck, O.S.F. Sister Agnes Joseph Williams, O.S.F. Mr. James M. Moore, Vice-Chairperson Mr. Leonard E. Nevitt Mr. Vance Parkhurst James W. Girardy, M.D. Gerald J. McShane, M.D.

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Hinshaw & Culbertson	Rockford	Charles Thomas
Accountant:	KPMG LLP	Chicago	John Depa
Bond Counsel:	Jones Day	Chicago	John Bibby
Underwriter:	Bear, Stearns & Co. Inc.	New York	Neil Matthews
Underwriter's Counsel	Gardner, Carton & Douglas	Chicago	Steven Kite
Financial Advisor:	Anne Donahoe	Chicago	Anne Donahoe
Bond Trustee:	JPMorgan	Chicago	Chitra Patel
Issuer's Counsel:	Foley & Lardner	Chicago	Jim Broeking

LEGISLATIVE DISTRICT

	Peoria	Rockford	Bloomington
Congressional:	18 Ray Lahood	16 Donald Manzullo	15 Tim Johnson
State Senate:	46 George Shadid	68 David Syverson	44 Bill Brady
State House:	92 Ricca Slone	34 David Winters	88 Dan Brady

	Pontiac	Galesburg
Congressional:	15 Tim Johnson	17 Lane Evans
State Senate:	53 Dan Rutherford	37 Dale Reisinger
State House:	106 Keith Sommer	74 Don Moffitt

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors

From: Pam Lenane, Program Administrator

Date: March 15, 2004

Re: Overview Memo for Children's Memorial Medical Center

- **Borrower/Project Name:** Children's Memorial Medical Center
- **Locations:** Chicago (Cook County)
- **Principal Project Contact:** Paula Noble, CFO
- **Board Action Requested:** Final Bond Resolution
- **Amount:** not to exceed $56,000,000, comprised of
  - Refunding: $56,000,000 of currently callable IFA (IHFA) Series 1999A Bonds.
- **Project Type: Hospital**
- **IFA Benefits:**
  - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
  - **New Money Bonds:** convey tax-exempt status
  - **Refunding Bonds:** the underwriter anticipates the Hospital will realize significant interest savings. The 1999 Bonds have interest rates ranging from 5.0% to 5.9%. The Series 2004A Bonds will have interest rates of approximately 3.4%, and depending on the final structure, savings will range from $2 million NPV to annual debt service savings of approximately $400,000 per year for 7 years.
- **IFA Fees:**
  - One-time, upfront closing fee will be $119,000
- **Structure/Ratings:**
  - **Structure**- Underwriter plans to issue floating rate bonds with an interest rate swap that will lock in a fixed rate for the life of the 2004 Bonds.
  - **Ratings** – CMMC will provide security consistent with its Master Indenture and on a par with its Series 2003 Bonds, which is primarily a pledge of revenues. The 2004 Bonds will be insured by AMBAC, which is rated Aaa/AAA/AAA by Moody's/S&P/Fitch.
  - **Days cash on hand** – 295 days

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
March 15, 2004

Transaction: Children's Memorial Medical Center

STATISTICS

Deal Number:	H-HO-TE-CD-405	Amount:	$56,000,000 (not to exceed amount)
Type:	Not-for-Profit Bond	IFA Contact:	Pamela Lenane and Christopher Vandenberg
Locations:	Chicago, IL	Est fee:	$119,000

BOARD ACTION

Final Bond Resolution
Conduit 501(c)(3) Bonds
No IFA funds at risk

Staff recommends approval
No extraordinary conditions

PURPOSE

Bond proceeds will be used to (i) advance refund the callable Series 1999A and (ii) pay bond issuance and enhancement costs.

IFA CONTRIBUTION

Federal income tax exempt status on bond interest.

VOTING RECORD

Voting Record for Preliminary Bond Resolution on February 17, 2004:

Ayes: 8 Nays: 0 Abstentions: 0 Absent: 1 (Valenti) Vacancies: 6

SOURCES AND USES OF FUNDS

Sources:	Bonds	$56,000,000	Uses:	Refunding Escrow	$53,051,000
				Cost of Issuance	845,000
				Insurance	2,104,000
	Total	$56,000,000		Total	$56,000,000

JOBS

Current employment:	2,697 FTEs	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	N/A

BUSINESS SUMMARY

Background: The Children's Memorial Medical Center ("CMMC") is an Illinois not-for-profit corporation, exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 that is based and principally operated in the City of Chicago.

CMMC is the sole corporate member of The Children's Memorial Hospital (the "Hospital"), The Children's Memorial Foundation and several other corporations which were created and are operated to serve the health and well-being of children. The Obligated Group consists of the Hospital and Children's Memorial Home Health, LLC. The Foundation is a Limited Credit Group Participant. CMMC is guided by the belief that each child should be given the opportunity to reach his or her potential in order to provide a brighter future.

Description: The Hospital owns and operates the only freestanding tertiary pediatric hospital in the State of Illinois, with 262 licensed beds (222 of which currently are in operation), as well as a full range of inpatient and outpatient care and related ancillary services. The Hospital is a designated Level I pediatric trauma center for the City of Chicago, with a Level III neonatal nursery that serves as a regional referral center in the State of Illinois Perinatal Network.

In addition to providing direct healthcare services, the Hospital functions as a teaching and research institution whose research efforts have contributed significantly to improvements in the quality of life and healthcare for children. The Hospital serves as the practice site for Northwestern University's Feinberg School of Medicine ("FSM") Department of Pediatrics. The Hospital is the primary teaching site for the clinical training of FSM's resident physicians, fellows and medical students in pediatric specialties and sub-specialties.

Service Area: The primary service area is defined as the City of Chicago. The secondary service area consists of outlying Cook County as well as DuPage, Kane, Kendall, Lake, McHenry and Will counties.

	Fiscal Years Ended August 31,		
($ in millions)	2001	2002	2003
Income Statement			
Support and Revenues	14.0	11.2	11.7
Revenue Over Expenses	9.0	(36.3)	6.0
*EBIDA	39.0	6.0	35.2
Balance Sheet			
Current Assets	93.1	98.9	122.4
Total Investments	479.5	432.5	480.6
PP&E	121.1	150.4	172.3
Other Assets	7.9	6.9	17.2
Total Assets	**701.6**	**688.7**	**792.5**
Current Liabilities	55.9	69.6	87.0
Debt	179.6	174.0	168.1
Other Liabilities	50.1	50.2	68.9
Total Net Assets	416.0	394.9	468.5
Total Liabilities and Net Assets	**701.6**	**688.7**	**792.5**
Ratios			
Debt Service Coverage (x)	2.7	2.3	2.9
Days cash on hand			295
Current Ratio	1.7	1.4	1.4
Debt / Total Net Assets	43.20%	44.10%	35.90%

Financials:
Discussion: The Hospital has experienced consistently strong operations over the last few years, with strong cash flow margins and liquidity. In 2002 and 2003, the Hospital was required by GAAP to recognize a a \$24.3 million and a \$1.6 million loss, respectively, on impaired investments which is included in the numbers shown above.

These results reflect the financial statements of the Obligated Group only (i.e. Children's Memorial Hospital). Effective November 2003, Children's Memorial Home Health, LLC became a member of the Obligated Group.

FINANCING SUMMARY

Security: CMMC will provide security consistent with its Master Indenture and on par with its Series 2003 Bonds, which is primarily a pledge of revenues. The 2004 Bonds will be insured by AMBAC, which is rated Aaa/AAA/AAA Moody's/S&P/Fitch.
Structure: Issuance of floating rate bonds with an interest rate swap that would lock in a fixed rate for the life of the 2004 Bonds.
Maturity: Not to exceed 29 years

INTEREST SAVINGS

The proposed refunding is expected to generate significant interest savings for the Hospital. The 1999 bonds have interest rates ranging from 5.0% to 5.9%. The Series 2004A Bonds will have interest rates of approximately 3.4%. Depending on the final structure, savings will range from \$2 million NPV to annual debt service savings of approximately \$400,000 for seven years. The final structure will be determined by the market conditions at the time of pricing.

PROJECT SUMMARY

Bond proceeds will be used to (i) advance refund the callable Series 1999A Bonds and (ii) pay bond issuance and enhancement costs.

ECONOMIC DISCLOSURE STATEMENT

Project name: Children's Memorial Medical Center Refinancing
Location: Children's Memorial Hospital, 2300 Children's Plaza, Chicago, IL 60614
Applicant: Children's Memorial Medical Center
Organization: 501(c)(3) Not-for-Profit Corporation
State: Illinois
Board of Directors: *See Below*

BOARD OF DIRECTORS

Ahern, Joseph J.
Aldinger, William F.
Amboian, John P., Jr.
Baird, Stephen W.
Batts, Warren L.
Bax, William L.
Begley, Christopher B.
Bensinger, Peter B.
Best, William J.
Block, Philip D., III
Bowles, Barbara L.
Brennan, Mrs. Richard S.
Carr, Robert F., III
Clarke, Mrs. Charles F., Jr.
Crecos, Gregory P.
Crocker, John M., Jr.
Crown, Lester
Crown, Paula H.
Czerepak, Charles S., DMD
Davis, Leticia Peralta
DePree, Susan
Devers, William J., Jr.
Donnelley, James R.
Douglas, Charles W.
Drescher, Dennis J.
Dulcan, Mina, MD
Eisenberg, JoAnn B., PhD

Gates, John S., Jr.
Geller, Laurence S.
Getz, Bert A., Jr.
Gomez, David P.
Green, Thomas P., MD
Griffin, Roger S.
Grumhaus, David D.
Gutman, Joseph D.
Hanzlik, Paul F.
Hendrix, Mary J.C., PhD
Hennessy, Daniel J.
Higginbottom, Elzie L.
Hill, Arthur J.
Jenness, James M.
Johnson, Kirk B.
Kennedy, Christopher G.
Kennedy, George D.
Kesman, Anthony K.
Traubet, Bryan S., MD
Tully, Thomas M.
Wehmer, Edward J.
Weigel, Thomas J., MD
Wheeler, Mrs. Henry P.
Williams, Brian E.
Willmott, Peter S.
Wineman, Jeffry S., Jr.
Wolf, Linda S.
Yeager, David P.
Zafirovski, Mike S.
Zhoa, Jia
Landsberg, Lewis, MD
Langdon, Lorna S.
Lewin, Luis E.
Liska, Paul J.
Logan, Lyle
Longmuir Shelley A.
Magoon, Patrick M.
Manassa, Mitchell J.
Manley, John F.
Manning, Frederick J.
Maruri, Victor L.
Mavroudis, Constantine, MD
McGinley, Jack L.
McKenna, Andrew J.
McKenna, William J.
McNally, Andrew, IV
Mills, Louise C.
Minogue, Rev. John P., CM
Moen, Timothy P.
Murley, Robert S.
Ogata, Edward S., MD
O'Halleran, Michael D.
Patterson, Mrs. O. Macrae
Pedersen, Peer
Phillips, Theodore P.
Polsky, Michael P.
Redmond, Andrea
Reusche, Thomas R.
Reyes, J. Christopher
Sanchez, Manuel
Segal, Gordon I.
Shoemaker, Mrs. Donald
Steers, Stephen T.
Steingraber, Fred G.
Susman, Louis B.

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Gardner, Carton & Douglas	Chicago	Steve Kite
Accountant:	Deloitte & Touche LLP	Chicago	Bob Clarke
Bond Counsel:	Jones, Day, Reavis & Pogue	Chicago	Michael Mitchell
Underwriter:	Goldman, Sachs	Chicago	Jay Sterns
Underwriter's Counsel:	Ungaretti & Harris	Chicago	Julie Seymour
Credit Enhancement:	AMBAC	Armonk, NY	Rebecca Kuhar
Financial Advisor:	Kaufman Hall	Northfield	Therese Wareham
Bond Trustee:	LaSalle Bank	Chicago	Kristine Brutsman
Issuer's Counsel:	Golden & Associates	Chicago	Charles Holley

LEGISLATIVE DISTRICTS

Congressional:	5-Rahm Emanuel
State Senate:	6-John J. Cullerton
State House:	12-Sara Feigenholtz

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors

From: Pam Lenane, Program Administrator

Date: March 15, 2004

Re: Overview Memo for BroMenn Healthcare

- **Borrower/Project Name:** BroMenn Healthcare
- **Locations:** Normal, Eureka (McLean and Woodford Counties)
- **Principal Project Contact:** Penny Cermak, CFO
- **Board Action Requested:** Final Bond Resolution
- **Amount:** not to exceed $55,000,000, comprised of
  - Refunding: $55 million to refund all or a portion of the 1990A, 1990B and 2002 Bonds, which were used for additions to the surgery, cardiology, and radiology departments, renovations to the emergency, radiology, pharmacy and cardiology departments of the Hospital, and information technology.
- **Project Type: Hospital**
- **IFA Benefits:**
  - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
  - **New Money Bonds:** convey tax-exempt status
  - **Refunding Bonds:** the underwriter anticipates the Hospital will realize an estimated $3 million in interest savings, though the ultimate level will be contingent on market conditions at the time of the sale of the Bonds.
- **IFA Fees:**
  - One-time, upfront closing fee will be $134,500
- **Structure/Ratings:**
  - **Structure**- The plan of finance contemplates the issuance of auction rate securities, and an interest rate swap may be used to lock in a fixed rate on all or a portion of the Bonds.
  - **Ratings** – BroMenn intends to issue Bonds secured by FSA bond insurance. FSA is rated Aaa/AAA/AAA by Moody's/ S&P/Fitch.
  - **Days cash on hand** – 146 days

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
March 15, 2004

Deal: **BroMenn Healthcare**

STATISTICS

Deal Number:	H/HO/TE/CD-403	Amount:	$55,000,000 (Not to exceed amount)
Type:	Not-for-Profit Bond	PA:	Pamela Lenane
Locations:	Normal, Eureka	Est fee:	$134,450

BOARD ACTION

Final Bond Resolution	Staff recommends approval
Conduit 501(c)(3) bonds	No extraordinary conditions
No IFA funds at risk	

PURPOSE

Bond proceeds will be used to (i) refinance all or a portion of the Series 1990A, 1990B, and 2002 Bonds, and the Merrill Lynch Bank Revolving Loan of BroMenn Healthcare ("BroMenn") and its subsidiaries; (ii) finance certain capital expenditures at its facilities; and (iii) pay bond issuance and enhancement costs.

IFA CONTRIBUTION

Federal income tax exempt status on bond interest.

VOTING RECORD

The IFA Board gave its initial approval for this project on February 17, 2004 by the following vote:

Ayes-8	Absent-1 (Valenti)	Vacancies-6

SOURCES AND USES OF FUNDS

Sources:	IFA bonds	$55,000,000	Uses:	Project Costs	$5,000,000
				Refunding Escrow	45,000,000
				Debt Service Reserve	4,000,000
				Issuance Costs	1,000,000
	Total	$55,000,000		Total	$55,000,000

JOBS

Current employment:	1,300 FTEs	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	N/A

BUSINESS SUMMARY

Background: BroMenn Healthcare ("BroMenn") 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.

Description: The BroMenn Healthcare System, headquartered in Bloomington-Normal and its predecessors have been serving and caring for the people of central Illinois for more than 100 years. BroMenn has over 1800 employees overall including clinics located in Bloomington, El Paso, Eureka, Fairbury, LeRoy, and Lexington.

The Borrower was formed in 1984 by consolidating Brokaw Hospital, established in 1896, Mennonite Hospital, founded in 1919, and Eureka Hospital, established in 1901. Its purpose is to improve the health and well-being of its communities by providing health care services to the citizens of the greater Bloomington-Normal, Illinois area. Brokaw-Mennonite Association, an Illinois not-for-profit corporation, is the sole member of the Borrower.

The main operational facilities of the Borrower are BroMenn Regional Medical Center ("BRMC") and Eureka Community Hospital ("Eureka"). BRMC is located at the corner of Virginia and Franklin Avenue in Normal, Illinois. It has a licensed capacity of 224 beds of which 206 are currently staffed. Inpatient medical, surgical, intensive care, obstetrical, pediatric, psychiatric, rehabilitation, cardiovascular, neurological and orthopedic services are provided at BRMC. In addition, a physicians' office building is located adjacent to BRMC and is directly connected on one floor. Eureka is a general acute care hospital located approximately 25 miles northwest of BRMC. It has a licensed capacity of 34 beds of which 25 are currently staffed.

Remarks: The primary service area is defined as the immediate Bloomington/Normal. The secondary service area consists of outlying areas running northeast to southwest along Interstate Route 55, including Livingston, DeWitt, Tazewell, and Logan counties.

Eureka Community Hospital serves Woodford, Tazewell, and Marshall counties.

Financials: **BroMenn Healthcare**
Audited Financial Statements 2001 - 2003

	Fiscal Years Ended June 30.		
	2001	2002	2003
	(Dollars in 000's)		
Income Statement:			
Support and revenues	$117,075	$127,241	$132,512
Revenue over expenses	10,669	4,169	9,585
Balance Sheet:			
Current assets	$46,103	$44,436	$43,199
Assets limited as to use	36,667	56,819	58,364
PP&E	68,176	69,738	75,618
Other assets	20,174	19,393	20,531
Total assets	171,120	190,416	197,712
Current liabilities	25,783	24,408	27,265
Debt	64,893	80,233	75,603
Other liabilities	4,877	5,027	5,454
Net assets	75,567	80,748	89,390
Total liabilities & net assets	$171,120	$190,416	$197,712
Ratios:			
Debt service coverage	2.70x	2.60x	2.50x
Days cash			146
Current ratio	1.79	1.82	1.58
Debt/net assets	0.86	0.99	0.86

Discussion: The Hospital has experienced consistent strong operations over the last few years, with strong cash flow margins and improving liquidity.

FINANCING SUMMARY

Security: BroMenn intends to issue bonds secured by FSA bond insurance. FSA is curreantlly rated Aaa-/ AAA/AAA by Moody's/S&P/Fitch.

Structure: The plan of finance contemplates the issuance of auction rate securites at 3%. An interest rate swap may be employed to lock in a fixed rate on all or a portion of the bonds.

Maturity: 30 years

INTEREST SAVINGS

Savings from the refundings are estimated at $3 million, though the ultimate level will be contingent upon market conditions at the time of sale of the bonds and the future level of interest rates on the bonds.

PROJECT SUMMARY

Bond proceeds will be used to (i) refinance all or a portion of the Series 1990A, 1990B and 2002 Bonds, which were used for additions to the surgery, cardiology and radiology departments, renovations to the emergency, radiology, pharmacy and cardiology departments of the Hospital and information technology, and the Merrill Lynch Bank Revolving Loan of BroMenn Healthcare ("BroMenn") and its subsidiaries; (ii) finance certain capital expenditures at facilities located at (a) Virginia at Franklin Ave., Normal (McLean County), IL 61761-3557 and (b) 101 S. Major Street, Eureka (Woodford County), IL 61530-1278; and (iii) pay bond issuance and enhancement costs.

ECONOMIC DISCLOSURE STATEMENT

Project name:	BroMenn Healthcare Refinancing/Construction	
Locations:	BroMenn Regional Medical Center, Virginia at Franklin Avenues, Normal, IL 61761-3557, and Eureka Hospital, 101 S. Major Street, Eureka, IL 61530-1278	
Applicant:	BroMenn Healthcare	
Organization:	501 (c)(3) Not-for-Profit Corporation	
State:	Illinois	
Board of Trustees:	George A. Farnsworth	Rhonda Ferrero-Patten
	Ron Hodel	Roger S. Hunt, FACHE
	Donna Hartweg,	Roger Joslin
	Barbara Baurer	Gary Knepp, D.O.
	Johnene Adams	James McCriskin, D.O.
	Paul Bates	Phares O'Daffer
	J. Gordon Bidner	Carol Struck, Ed.D
	Rev. Rich Bucher	James Swanson, M.D.
	John Esch, M.D.	

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Gardner, Carton & Douglas	Chicago	Steve Kite
Accountant:	Ernst & Young	Chicago	Tadd Ingles
Bond Counsel:	Jones Day	Chicago	Mike Mitchell
Underwriter:	Piper Jaffray	Chicago	Nessy Shems
Underwriter's Counsel:	Katten Muchin Zavis Rosenman	Chicago	Renee Friedman
Financial Advisor:	Kaufman Hall	Northfield	Terri Wareham
Bond Trustee:	TBD		
Issuer's Counsel:	Foley & Lardner	Chicago	Jim Broeking
Insurer:	FSA	New York, NY	

LEGISLATIVE DISTRICTS

	Normal	Eureka
Congressional:	11 – Jerry Weller	18 – Ray LaHood
State Senate:	44 – William Brady	53 – Dan Rutherford
State House:	88 – Dan Brady	106 – Keith Sommer

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
March 15, 2004

Transaction: Construction Loan Interim Financing Program 2004

STATISTICS

Program Number:	L-PW-TE-CD-404	Amount:	$7,500,000
Type:	Pooled Bond	Staff Contact:	Eric Watson
Locations:	Statewide	Est. fee:	$10,000-$15,000

BOARD ACTION

Final Bond Resolution
Undesignated Pooled Bonds
No IFA funds at risk

Staff recommends approval

Condition: Originations contingent on USDA Rural Development approval of permanent infrastructure loans.

PURPOSE

To provide funds for interim loans to certain units of local government of the State of Illinois for construction of infrastructure projects eligible to qualify for permanent financing from the United States Department of Agriculture, Rural Development.

IFA CONTRIBUTION

- Bonds will be exempt from State of Illinois income taxes.

VOTING RECORD

No prior voting record. This is the first time the IFA Board of Directors has reviewed this project.

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	$7,500,000	Uses:	Est. Project Costs	$7,360,000
				Refunding Escrow	
				Est. Capitalized Interest	$ 100,000
				Est. Issuance Costs	$ 40,000
	Total	$7,500,000		Total:	$7,500,000

JOBS

Current employment: N/A
Jobs retained: N/A

Projected new jobs: N/A
Construction jobs: Unknown

BUSINESS SUMMARY

Background: Since 1997, the Illinois Rural Bond Bank has issued an aggregate of $100,000,000 to fund its Interim Finance Program. This Program has been very successful at providing low cost funding to eligible borrowers. There have been no defaults on any loan originated under the Interim Finance Program.

Description: Units of government working with USDA-RD are required to seek interim financing for their federal loans. The IFA will work in concert with the USDA-RD to assist these borrowers. The Construction Loan Interim Financing Program provides units of local government access to funds during the critical first stages of construction of water or wastewater systems.

Remarks: The loans are secured by the USDA-RD loan commitment to the borrower.

FINANCING SUMMARY

Security:
1) The proceeds from the sale of notes;
2) Earnings on monies on deposit in Funds and Accounts;
3) The pledged receipts, including the loan commitment from USDA-RD;
4) Agreements by and between the Issuer and the governmental users.

Structure: A three-year note issue, payable semi-annually. There are mandatory tenders and rate-reset provisions every six months.

Maturity: October 1, 2006

PROJECT SUMMARY

Bond proceeds will be used to make loans to qualifying governmental units, pay interest on the notes and pay the cost of issuing the notes.

PROFESSIONAL & FINANCIAL

Bond Counsel:	Evans, Froehlich, Beth & Chamley	Champaign, IL
Underwriter:	Morgan Keegan	Montgomery, AL
Underwriter's Counsel:	Rubin & Hays	Louisville, KY
Issuer's Counsel:	Katten Muchin Zavis Rosenman	Chicago, IL
Trustee:	The Bank of New York	

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors

From: Eric Watson and Rich Frampton

Date: March 15, 2004

Re: Block Memorandum for IFA Local Government Pooled Bond Program Series 2004-A *(Moral Obligation)*

IFA Project Number: L-GP-TE-MO-401

Rationale:

Bond counsel for the IFA Rural Bond Bank (Chapman and Cutler) advised IFA counsel on March 8th that all IFA Rural Bond Bank transactions must be approved collectively in a single Bond Resolution. The IFA Board of Directors approved a Bond Resolution that covered three local government projects (Norris City, Williamsville, and Farmington) at the February 17th Board Meeting.

Accordingly, the addition of the Bourbonnais Township Park District to the proposed pool now requires that the IFA Board of Directors to consider a new Bond Resolution that references all four projects.

Because the four projects must be approved collectively, copies of the IFA Board Reports presented for those projects on February 17th are again presented for your review.

In addition to the general obligation pledge of the local government, these Bonds will be further secured with the State's Moral Obligation.

Revised Presentation:

Local Government Pooled Bond Program 2004-A

Participants:

NEW: Bourbonnais Township Park District:	**$900,000**
Village of Norris City:	$575,000
Village of Williamsville:	$440,000
Village of Farmington:	$2,125,000
Total	**$4,040,000**

Purpose:

- **Bourbonnais Township Park District:** The Park District proposes to borrow $900,000 to fund the development of nature trails, interpretive center, access road and parking.
- **Village of Norris City:** The Village proposes to borrow $575,000 to refinance the existing debt of the Sanitary District. The defeasance of the District's debt will allow the Sanitary District to dissolve under the Sanitary District Act of 1917 and combine with the Village.
- **Village of Williamsville:** The Village proposes to borrow $440,000 to fund the construction of sanitary sewer improvements.

- **City of Farmington:** The City proposes to borrow $2,125,000 to construct sewer, a pump station, force main, and to upgrade an existing water facility in order to come into compliance with applicable standards.

Voting Record from the February 17th Board Meeting:

Bond Resolution for Local Government Pooled Bond Program, Series 2004-A (Village of Norris City, Village of Williamsville, and Village of Farmington):

Ayes:	8
Nays:	0
Abstentions:	0
Absent:	1 (Valenti)
Vacancies:	6

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
February 9, 2004

Deal: Village of Norris City

STATISTICS

Deal Number:	L-PG-TE-MO-401A	Amount:	$575,000
Type:	Local Government	PA:	Eric Watson
Location:	White County	Est. fee:	$9,160

BOARD ACTION

Final Bond Resolution
Local Government Bonds - Rural Bond
IFA State funds at Risk: Moral Obligation of the State

Staff recommends approval
Conditions: Pledge intercept and generate at least 1.10x coverage from operations.

PURPOSE

The Village proposes to borrow $575,000 to refinance the existing debt of the District. The defeasance of the District's debt will allow the District to dissolve under the Sanitary District Act of 1917 and combine with the Village.

VOLUME CAP

Local government bonds – no volume cap required.

VOTING RECORD

No prior voting record. This is the first time the IFA Board of Directors has reviewed this project.

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	$575,000	Uses:	Refinancing	$490,000
				Issuance Costs	85,000
	Total	$575,000		Total	$575,000

JOBS

Current employment:	n/a	Projected new jobs:	n/a
Jobs retained:	n/a	Construction jobs:	n/a

CREDIT SUMMARY

The Village of Norris City (the "Village) is located in southeastern Illinois in White County approximately 45 miles east of Marion. Assessed value growth has been good at nearly 4.39% during the past five years. The assessed valuation is primarily residential and commercial with such evaluations accounting for approximately 73% and 23% of the Village's total EAV, respectively. The Village does have some taxpayer concentration with the top ten taxpayers accounting for over 34% of the Village's EAV. The Village's 2000 Census population of 1,057 decreased 21.18% from the 1990 Census and 13.62% from the 1970. The Village does not have employer concentration.

General Fund performance has been adequate over the last five fiscal years, with the last two years showing negative results. Revenue decreased by 1.06% while expenses increased by 6.46%. The fund balance is 75.90% of expenses and the Village has no general obligation debt outstanding. The Village does have one water revenue bond issue outstanding. The revenues of the Norris City Sanitary District (the "District") grew by 3.45% the last five years and expenses increased by 7.55% over the same period of time. Connection growth is flat and average and peak demands are reported by the District to be 40.18% and 80.36% of capacity, respectively. The top five users of the system account for 10.2% of system revenues.

The Village proposes to borrow $575,000 to refinance the existing debt of the District. The defeasance of the District's debt will allow the District to dissolve under the Sanitary District Act of 1917 and combine with the Village. The intercept on the proposed issue is good at 2.32x proposed debt service. According to the Ordinance, the Village is pledging the revenues of the District and the revenues distributed by the State of Illinois including income taxes and sales taxes. *Using 2003 State shared revenues and District revenues, coverage on the proposed debt service is estimated to be 2.39x, however, net revenues from operations only provide 50% of debt service requirements.* It had been the Bond Bank's practice to require enterprise operations to generate at least 110% of debt service from operations. Therefore, provided the Village additionally pledges an intercept of its State shared revenues and raises rates to generate debt service coverage from operations of at least 1.10x proposed debt service, this issue is recommended as an alternate revenue bond.

Analysis

Ratios	
Fund Balance/Expenses	75.90%
Cash/Liabilities	n/a
Short Term Borrowing/Expenses	0.00%
Debt/Market Value	0.00%
Per Capita Debt	$0
Existing GO Debt Service/Expenses	0.00%
Existing GO and Alternate Revenue Debt Service/Expenses	0.00%
Projected GO Debt Service/Net	(0.69x)

Sewer Fund Coverage Using Historical Numbers

2003 Net Available	Current Max P&I	Coverage	Total Max P&I *	Coverage
$39,403	$59,085	0.67x	$78,100	0.50x

After the refinancing of existing debt, new debt service equals $78,100

FINANCING SUMMARY

Security:	Alternate Revenue Bond. Not Rated
Structure:	Fixed rate serial bonds
Maturity:	10 Years

PROJECT SUMMARY

The Village proposes to borrow $575,000 to refinance the existing debt of the District. The defeasance of the District's debt will allow the District to dissolve under the Sanitary District Act of 1917 and combine with the Village.

Project costs include the following:

Refinancing	$490,000
Issuance Costs	85,000
Total Project Costs	**$575,000**

ECONOMIC DISCLOSURE STATEMENT

Applicant:	Village of Norris City
Project Name:	The Village proposes to refinance the existing debt of the District. The defeasance of the District's debt will allow the District to dissolve under the Sanitary District Act of 1917 and combine with the Village.
Location:	P.O. Box 280, Norris City, IL 62869
Organization:	Village
State:	Illinois
Officials:	Carl R. Whipple, Village President James E. Crouch, Clerk Nancy Ruth Edwards, Treasurer
Trustee:	Bob Chapman Judy Daubs Sue James Jack Johnson Roy A. Kissel Norman Trousdale

PROFESSIONAL & FINANCIAL

Accountant:	Botsch & Associates	Carmi, IL	Keith Botsch
Borrower's Counsel:		Carmi, IL	Mark Stanley
Engineer:	NA		
Bond Counsel:	Hart Southworth & Whitman	Springfield, IL	Mike Southworth
Underwriter:	A.G. Edwards	St. Louis, MO	Anne Noble
Issuer's Counsel:	Chapman & Cutler	Chicago, IL	Chuck Jarik
Paying Agent:	US Bank NA	St. Louis, MO	Brian Kabbes
Rating Agency:	Standard & Poor's	Chicago, Illinois	
Rating Agency:	Fitch Ratings	Chicago, Illinois	
Financial Advisor:	Robert W. Baird & Co.	Naperville, Illinois	Thomas J. Gavin

LEGISLATIVE DISTRICTS

Congressional:	19 John Shimkus
State Senate:	59 Gary Forby
State House:	117 Gary Forby (Inactive)

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
February 9, 2004

Deal: Village of Williamsville

STATISTICS

Deal Number:	L-PG-TE-MO-401B	Amount:	$440,000
Type:	Local Government	PA:	Eric Watson
Location:	Sangamon County	Est. fee:	$6,940

BOARD ACTION

Final Bond Resolution
Local Government Bonds - Bond Bank
IFA/State funds at Risk: Moral Obligation of the State

Staff recommends approval
Conditions: Pledge intercept and 1.25x coverage

PURPOSE

The Village proposes to borrow $440,000 to fund the construction of sanitary sewer improvements.

VOLUME CAP

Local government bonds – no volume cap required.

VOTING RECORD

No prior voting record. This is the first time the IFA Board of Directors has reviewed this project.

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	$440,000	Uses:	New Construction	$415,250
	Funds on Hand	100,000		Engineering	70,000
				Issuance Costs	54,750
	Total	$540,000		Total	$540,000

JOBS

Current employment:	n/a	Projected new jobs:	n/a
Jobs retained:	n/a	Construction jobs:	n/a

CREDIT SUMMARY

The Village of Williamsville (the "Village") is located in central Illinois in Sangamon County approximately 20 miles north of Springfield. Assessed value growth has been good at nearly 4.57% during the past five years. The assessed valuation is primarily residential with such evaluations accounting for approximately 92.3% of the Village's total EAV. The Village does not have taxpayer or employer concentration. The Village's 2000 Census population of 1,439 increased 26.23% from the 1990 Census and 19.29% from the 1970.

General Fund performance has been good over the last five fiscal years, with only one year of negative results. Revenue increased by 7.02% during the last five years while expenses increased by 1.45%. The fund balance is 56.79% of expenses and the Village has no general obligation debt outstanding. The Village does have one water note outstanding. The Sewer Fund revenues grew by 1.72% the last five years and expenses increased by 1.69% over the same period of time. Connection growth averaged 1.79% over the past five years and average and peak demands are reported by the Village to be 11.24% and 17.64% of capacity, respectively. The top five users of the system account for 11.6% of system revenues.

The Village proposes to borrow $440,000 to fund the construction of sanitary sewer improvements. The intercept on the proposed issue is good at 4.67x proposed debt service. Coverage on the proposed debt service is estimated to be 1.98x. *Provided the Village pledges an intercept of its State shared revenues and keeps rates at levels that generate debt service coverage of at least 1.25x on proposed debt service this issue is recommended as an alternate revenue bond.*

Analysis

Ratios	
Fund Balance/Expenses	56.79%
Cash/Liabilities	110.69%
Short Term Borrowing/Expenses	0.00%
Debt/Market Value	0.00%
Per Capita Debt	$0
Existing GO Debt Service/Expenses	0.00%
Existing GO and Alternate Revenue Debt Service/Expenses	0.00%
Projected GO Debt Service/Net	0.59x

Sewer Fund Coverage Using Historical Numbers

2003 Net Available	Current Max P&I	Coverage	Total Max P&I *	Coverage
$89,913	$0	n/a	$45,300	1.98x

* Outstanding maximum annual debt service of $0 plus new debt service of $45,300

FINANCING SUMMARY

Security:	Alternate Revenue Bond. Not Rated
Structure:	Fixed rate serial bonds
Maturity:	15 Years

PROJECT SUMMARY

The Village proposes to borrow $440,000 and contribute $100,000 to fund the construction of sanitary sewer improvements.

Project costs include the following:

Construction/Equipment	$415,250
Engineering	70,000
Issuance Costs	54,750
Total Project Costs	$540,000

ECONOMIC DISCLOSURE STATEMENT

Applicant:	Village of Williamsville
Project Name:	The Village proposes to fund the construction of sanitary sewer improvements.
Location:	141 West Main, Willimasville, Illinois 62693
Organization:	Village
State:	Illinois
Officials:	Thomas R. Yokley, President
	Katherine L. Tabit, Clerk
	Heidi Dowell, Treasurer
Trustees:	Larry Barregarye
	Sheila Caldwell
	Jack Caldwell
	William McCarty
	Jason R. Hanson

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Bargber, Segatto, Hoffee & Hanes	Springfield, IL	Randy Segatto
Engineer:	Greene & Bradford, Inc.	Springfield, IL	
Bond Counsel:	Hart Southworth & Whitman	Springfield, IL	Mike Southworth
Underwriter:	A.G. Edwards	St. Louis, MO	Anne Noble
Issuer's Counsel:	Chapman & Cutler	Chicago, IL	Chuck Jarik
Paying Agent:	US Bank NA	St. Louis, MO	Brian Kabbes
Rating Agency:	Standard & Poor's	Chicago, Illinois	
Rating Agency:	Fitch Ratings	Chicago, Illinois	
Financial Advisor:	Robert W. Baird & Co.	Naperville, Illinois	Thomas J. Gavin

LEGISLATIVE DISTRICTS

Congressional:	18 Ray LaHood
State Senate:	50 Larry K. Bomke
State House:	99 Raymond Poe

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
February 9, 2004

Deal: City of Farmington

STATISTICS

Deal Number:	L-PG-TE-MO-401C	Amount:	$2,125,000
Type:	Local Government	PA:	Eric Watson
Location:	Fulton County	Est. fee:	$33,900

BOARD ACTION

Final Bond Resolution
Local Government Bonds - Bond Bank
IFA State funds at Risk: Moral Obligation of the State

Staff recommends approval
Conditions: Pledge intercept and 1.25x coverage

PURPOSE

The City proposes to borrow $2,125,000 to construct sewer, a pump station, force main and to upgrade an existing water facility in order to come into compliance with present rules and regulations.

VOLUME CAP

Local government bonds – no volume cap required.

VOTING RECORD

No prior voting record. This is the first time the IFA Board of Directors has reviewed this project.

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	$2,125,000	Uses:	New Construction	$1,510,000
	Funds on Hand	0		Engineering	202,000
				Miscellaneous	185,000
				Issuance Costs	228,000
	Total	$2,125,000		Total	$2,125,000

JOBS

Current employment:	n/a	Projected new jobs:	n/a
Jobs retained:	n/a	Construction jobs:	n/a

CREDIT SUMMARY

The City of Farmington (the "City") is located in central Illinois in Fulton County approximately 30 miles west of Peoria. The City is in a rural area and many of its residents are employed in Peoria. The assessed valuation is primarily residential and commercial with such evaluations accounting for approximately 84% and 15% of the City's total EAV, respectively. Assessed value growth has been good at nearly 4.71% during the past five years. The City does not have taxpayer or employer concentration. The City's 2000 Census population of 2,601 increased 2.60% from the 1990 Census but decreased 8.01% from 1980.

General Fund performance has been poor over the last five fiscal years, with negative results in each of the last three years. Revenues increased by 2.12% while expenses increased by 3.58%. The fund balance is 32.37% of expenses. The City has one existing general obligation note outstanding, one alternate revenue bond issue and one revenue bond issued through the Illinois Rural Bond Bank. Enterprise system revenues decreased by 0.63% the last five years and expenses increased by 11.15% over the same period of time. Historical coverage on exiting debt averaged 2.27x over the last five years and 1.77x in 2002. Coverage from operations on existing and proposed debt service based on 2002 results is estimated to be 0.97x. Connection growth is flat and average and peak demands are reported by the City to be 56.46% and 164.41% of capacity, respectively. The proposed project is expected to alleviate the lack of peak capacity. The top five users of the system account for 4.3% of system revenues.

The City proposes to borrow $2,125,000 to construct sewer, a pump station, force main and to upgrade an existing water facility in order to come into compliance with present rules and regulations. The City will enter into a debt certificate for $500,000 in order to finance initial costs of the proposed project. It is anticipated that this issue will refinance the debt certificate. According to the draft bond ordinance, the City will pledge revenues of the waterworks and sewerage system. *The intercept on the proposed issue is good at 2.54x proposed debt service. Provided the City pledges an intercept of its State shared revenues and raises rates to generate debt service coverage from operations of at least 1.25x proposed debt service this issue is recommended as an alternate revenue bond.*

Analysis

Ratios	
Fund Balance/Expenses	32.37%
Cash/Liabilities	19.25%
Short Term Borrowing/Expenses	0.00%
Debt/Market Value	0.08%
Per Capita Debt	$16
Existing GO Debt Service/Expenses	1.79%
Existing GO and Alternate Revenue Debt Service/Expenses	32.51%
Projected GO Debt Service/Net	(0.46x)

Enterprise Fund Coverage Using Historical Numbers

2002 Net Available	Current Max P&I	Coverage	Total Max P&I *	Coverage
$416,806	$244,260	1.71x	$429,560	0.97x

* Outstanding maximum annual debt service of $244,260 plus new debt service of $185.300

FINANCING SUMMARY

Security:	Alternate Revenue Bond. Not Rated
Structure:	Fixed rate serial bonds
Maturity:	20 Years

PROJECT SUMMARY

The City proposes to borrow $2,125,000 to construct sewer, a pump station, force main and to upgrade an existing water facility in order to come into compliance with present rules and regulations.

Project costs include the following:

Construction/Equipment	$1,510,000
Engineering	202,000
Miscellaneous	185,000
Issuance Costs	228,000
Total Project Costs	$2,125,000

ECONOMIC DISCLOSURE STATEMENT

Applicant:	City of Farmington
Project Name:	The City proposes to borrow to construct sewer, a pump station, force main and to upgrade an existing water facility in order to come into compliance with present rules and regulations.
Location:	33 North East Street, Farmington, Illinois 61531
Organization:	City
State:	Illinois
Officials:	Cyril Stobaugh, Mayor Roger Woodcock, City Administrator Donna DeGroot, Clerk
Alderperson:	James Morgan Todd Stromeyer Butch VanHouten Sarah Veach June Whitmer Ronald Zessin

PROFESSIONAL & FINANCIAL

Accountant:	McGladrey & Pullen LLP	Peoria, IL	
Borrower's Counsel:	William Connor Attorney at Law	Peoria, IL	William Connor
Engineer:	Farnsworth Group	Peoria, IL	
Bond Counsel:	Hart Southworth & Whitman	Springfield, IL	Mike Southworth
Underwriter:	A.G. Edwards	St. Louis, MO	Anne Noble
Issuer's Counsel:	Chapman & Cutler	Chicago, IL	Chuck Jarik
Paying Agent:	US Bank NA	St. Louis, MO	Brian Kabbes
Rating Agency:	Standard & Poor's	Chicago, Illinois	
Rating Agency:	Fitch Ratings	Chicago, Illinois	
Financial Advisor:	Robert W. Baird & Co.	Naperville, Illinois	Thomas J. Gavin

LEGISLATIVE DISTRICTS

Congressional:	17 Lane Evans
State Senate:	46 George P. Shadid
State House:	91 Michael K. Smith

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
March 15, 2004

Borrower: **Bourbonnais Township Park District**

STATISTICS

Deal Number:	L-GP-TE-MO-401D	Amount:	$900,000
Type:	Local Government	PA:	Eric Watson
Location:	Kankakee County	Est. fee:	$13,000

BOARD ACTION

Final Bond Resolution
Local Government Bonds

Staff recommends approval subject to the following condition:

1. OMB approval on sign-off for use of Moral Obligation (anticipated)

PURPOSE

The Park District proposes to borrow $900,000 to fund the development of nature trails, interpretive center, access road and parking.

IFA CONTRIBUTION

- State of Illinois tax exempt status on bond interest
- Moral Obligation of the State

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	$900,000	Uses:	New Construction	$812,000
				Engineering	76,000
				Issuance Costs	12,000
	Total	**$900,000**		**Total**	**$900,000**

JOBS

Current employment:	n/a	Projected new jobs:	n/a
Jobs retained:	n/a	Construction jobs:	n/a

CREDIT SUMMARY

The Bourbonnais Township Park District (the "District") comprises an area of approximately 50 square miles in Kankakee County approximately 50 miles south of Chicago. Assessed value growth has been good at nearly 6.31% annually during the past five years. The assessed valuation is primarily residential with such valuations accounting for 68% of the District's 2002 assessed value. The District's top ten taxpayers account for 7.76% of the District's 2002 EAV. The District's 2000 Census population of 100,000 increased 3.89% from the 1990 Census. The District does not have employer concentration.

General Fund performance has been poor over the last five fiscal years with four of the last five years in the red. The District has a negative cash balance of $321,581. Average annual revenues declined 2.46% during the last five years while expenses increased by 10.64%. The District has a fund balance to expense ratio of 22.70%. The District does not utilize short-term borrowing.

The District proposes to borrow $900,000 by issuing general obligation bonds to finance the development of 69 acres to include nature trails, interpretive center, access road and parking. The District intends to pay the proposed debt service with receipts and revenues of any kind including particularly amounts derived by the District from property taxes. We estimate debt service to be approximately $213,700. The tax rate to support this debt service is $0.047/$100 EAV and would represent a 15% increase from the District's 2002 total tax rate. There is no intercept since park districts do not receive state shared revenues. This issue is recommended as a general obligation bond.

Ratio Analysis

Ratios	
Fund Balance/Expenses	22.70%
Cash/Liabilities	(2680.74%)
Short Term Borrowing/Expenses	0.00%
Debt/Market Value	0.02%
Per Capita Debt	$3
Existing GO Debt Service/Expenses	53.31%
Existing GO and Alternate Revenue Debt Service/Expenses	53.31%
Projected GO Debt Service/Net	(0.11x)

FINANCING SUMMARY

Security:	General Obligation Bonds of the non-rated Bourbonnais Park District to be further secured by a Moral Obligation pledge thereby resulting in a "A-" bond rating. Underlying Borrower is not rated.
Structure:	Fixed rate serial bonds
Maturity:	5 Years

PROJECT SUMMARY

The Park District proposes to borrow $900,000 to fund the development of nature trails, interpretive center, access road and parking.

Project costs include the following:

Construction/Equipment	$812,000
Total Project Costs	**$812,000**

ECONOMIC DISCLOSURE STATEMENT

Applicant:	Bourbonnais Township Park District 459 North Kennedy Drive, Bourbonnais, (Kankakee County), Illinois 60914
Location:	Throughout 50 square mile service area in Kankakee County
Organization:	Park District
State:	Illinois
Officials:	Dolores LeBeau, President Wayne Delabre, Vice President
Commissioners:	Nickolas Allen Brian Hebert Karen McClure

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Barmann, Bohlen & Woodruff, P.C.	Kankakee, IL	Deborah Woodruff
Engineer:	N/A		
Bond Counsel:	N/A		
Underwriter:	A.G. Edwards	St. Louis, MO	Anne Noble
Paying Agent:	US Bank NA	St. Louis, MO	Brian Kabbes
Rating Agency:	Standard & Poor's	Chicago, Illinois	
Rating Agency:	Fitch Ratings	Chicago Illinois	
Financial Advisor:	Robert W. Baird & Co.	Naperville, Illinois	Thomas J. Gavin
Issuer's Counsel:	To be determined		

LEGISLATIVE DISTRICTS

Congressional:	11 Jerry Weller
State Senate:	38 Patrick Welch 40 Debbie DeFrancesco Halvorson
State House:	75 Careen Gordon 79 Lisa M. Dugan

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY

Borrower: Brice and Carol Lawson

STATISTICS

Project Number:	A-DR-GT-TX-405	Amount:	$300,000
Type:	Agriculture Debt Restructuring	IFA Contact:	Rick Schramm
Location:	Chambersburg	Tax ID:	N/A
SIC Code:	0115	Est fee:	$1,500

BOARD ACTION

Final Approval
Loan Guarantee: 85%

Staff recommends approval subject to the following condition:

1. Signed, executed (Senior) Loan Commitment from Farmers State Bank of Pittsfield.

PURPOSE

Restructure $300,000 of Debt on Guaranteed Loan. Additional loan guarantee of $207,000 to an existing guaranteed loan of $93,000.

IFA CONTRIBUTION

85% Guarantee backed by the state of Illinois. Any losses are paid from a specific loss reserve fund that was established for that purpose. Funding is provided by Farmers State Bank of Pittsfield, guaranteed by IFA.

State funds are at risk. No IFA funds at risk.

VOTING RECORD

This is the first time this project has been reviewed by the IFA Board.

SOURCES AND USES OF FUNDS

Sources:	Bank note	$300,000	Uses:	Renewal loan	$93,000
				Other land note	$187,000
				Operating note	$17,000
				Issuance Costs	$3,000
	Total	$300,000		Total:	$300,000

JOBS

Current employment: 1
Jobs retained: 1

Projected new jobs: 0
Construction jobs: 0

BUSINESS SUMMARY

Background: Brice Lawson farms with his family near the Illinois River bottoms.

Description: Grain farm operation; corn and soybeans

Remarks: Renewal of an existing guaranteed for $93,000 adding $207,000.
Adding 110 acres of collateral for a total of 273 acres

Financials:

	Year Ended 12/31/			Cash Flow
	2001	2002	2003	2004
	(Dollars in 000's)			
Income statement:				
Sales	261	173	198	
Net income	44	-2	1	
Balance sheet:				
Current assets	76	60	110	
PP&E	1,010	1,019	1,077	
Other assets	0	0	100	
Total assets	1,087	1,079	1,287	
Current liabilities	55	57	38	
Non Current liabilities	315	305	293	
Equity	717	716	956	
Total liabilities/equity	1,087	1,079	1,287	
Ratios:				
Debt coverage				1.75
Current ratio	1.38	1.05	2.9	
Debt/equity	.516	.505	.346	
Debt/assets	.340	.336	.257	

Discussion: Carol Lawson works as a nurse for $30,000/ year.

FINANCING SUMMARY

Security: First mortgage on 273 acres of farmland with an appraised value of $495,000
Structure: 20 year amortization with annual payments @4.9% Fixed for 3 years then reset to ½ over National Prime; 85% IFA guarantee matures after 20 years
Maturity: March 15, 2024

PROJECT SUMMARY

This project is a $300,000 Ag debt restructuring guaranteed loan. The current loan is up for renewal after 10 years and the current balance is $93,000. Farmers State Bank of Pittsfield wants to add $187,000 to the balance to make it $300,000. The Lawsons farm with their family in Pike County raising corn and soybeans. Carol Lawson works off-farm as a nurse.

ECONOMIC DISCLOSURE STATEMENT

Applicant:	Brice and Carol Lawson
Location:	Chambersburg
Organization:	Sole Proprietor
State:	IL
Ownership:	100%

PROFESSIONAL & FINANCIAL

Accountant:	Doris Lehne of Mt. Sterling
Bank:	Farmers State Bank of Pittsfield

LEGISLATIVE DISTRICTS

Congressional:	18
State Senate:	47
State House:	93

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY

Borrower:	**Daniel K. Reed**
Project:	**Pearl Valley Cheese Company, Inc.**

STATISTICS

Project Number:	A-AI-GT-TX-409	Amount:	$390,000
Type:	Guarantee	IFA Contact:	David Wirth
Location:	Kent	Tax ID:	76-0739198
SIC Code:	2022	Est. Fee:	$1,950

BOARD ACTION

Final Approval
Loan Guarantee 85%
Staff recommends approval subject to the following conditions:

1. Signed, executed Senior Loan commitment from Kent Bank, loan guarantee from Pearl Valley Cheese, Inc. ("PVC"), and an assignment of rents and leases.
2. Commitment of subordinated DCEO Loan for $75,000.

PURPOSE

Loan guarantee for buildings, equipment, improvements, and working capital

IFA CONTRIBUTION

85% Guarantee backed by the State of Illinois. Any losses are paid from a specific loss reserve fund that was established for that purpose. Funding is provided by Kent Bank, guaranteed by IFA.

State funds are at risk. No IFA funds at risk.

VOTING RECORD

No previous voting record

SOURCES AND USES OF FUNDS

Sources:

$390,000	Kent Bank (first lien)
$ 75,000	DCEO (subordinated lien)
$465,000	Total

Uses:

$120,000	New Equipment
$120,000	Building Improvements
$ 20,000	Miscellaneous & contingency
$ 40,000	Working capital
$165,000	Initial building & equip costs
$465,000	Total

JOBS

Current employment:	0	Projected new jobs:	11
Jobs retained:	0	Construction jobs:	0

BUSINESS SUMMARY

Background: Daniel K. Reed is establishing a cheese manufacturing business in the former Saputo Cheese Plant in Kent, IL. The plant was closed in 1999 and employed 68 people prior to its closing. Mr. Reed has 14 years of experience in the dairy and cheese industry.

Description: Products will be gourmet, high quality cheeses and will include hand dipped Ricotta cheese and hand packed Feta cheese.

Remarks: Will have licensed cheese maker on staff; skilled labor is readily available; the proposed manufacturing process is environmentally sound – Ricotta uses the whey by-product from Feta production; start up venture; Reed will own the facilities personally and lease to Pearl Valley Cheese. Lease payments from PVC will service this loan.

FINANCIALS

	$ Current	$ Projected
Assets	617,800	1,082,800
Liabilities	213,300	678,300
Net Worth	404,500	404,500

Ratios:

Debt to Asset	35%	63%
Debt/equity	.53	1.68

Senior Loan to collateral value$390,000 / $760,000 = 51%
The collateral value was established using a Fair Market Value Appraisal on the subject property, 54,000 sq. ft. masonry building.

Revenue projections summary:

Year 1		Year 2	
Revenue	$750,000	Revenue	$1,387,000
Expense	$726,000	Expense	$1,287,600
Net	$24,000	Net	$100,000

FINANCING SUMMARY

Security: First mortgage liens on all real estate and equipment, Appraised at $760,000.
DCEO loan will have liens behind the first liens of IFA and Kent Bank
Structure: Conventional loan with IFA guarantee
Maturity: Fifteen years, monthly payments of principal and interest, interest only during first six months of operation

PROJECT SUMMARY

IFA 85% guarantee on $390,000 loan made by Kent Bank for a cheese manufacturing business

ECONOMIC DISCLOSURE STATEMENT

Applicant: Daniel K. Reed
Location: 752 North Kent Road, Kent IL 61044, Stephenson County
Organization: Sole proprietor as Borrower; (Guarantor/Operating Company Pearl Valley Cheese, Inc. is incorporated in Illinois as an S corporation)
Accountant: Bauer and Fonseca, CPA's, Pearl City, IL

LEGISLATIVE DISTRICTS

Congressional: 16 State Senate: 45 State House: 89

BEGINNING FARMER BOND LOANS
Previously Approved Projects for Bond Resolution
March 15, 2004

Project Number:	2003-12-0011
Borrower(s):	Ken J. Gerlach and Windy D. Gerlach
City:	Waggoner
Amount:	$171,000
Use of Funds:	Farmland
County:	Montgomery
Lender/Bond Purchaser:	The Bank and Trust Company, Litchfield

TTY 1.800.526.0844
Voice 1.800.526.0857

ILLINOIS FINANCE AUTHORITY

Chicago Office • Sears Tower • 233 South Wacker, Suite 4000 • Chicago, Illinois 60606 • 312.627.1434 • Fax 312.496.0578

To: Illinois Finance Authority
Board of Directors

From: John Haderlein
Senior Bond Counsel

Date: March 8, 2004

Re: $4,500,000 Illinois Development Finance Authority
Industrial Revenue Bonds, Series 1994
(LA-CO Industries, Inc. Project)

Board Action Requested

Approve a change amending various bond documents in order to extend the maturity of the bonds and to make certain other technical changes.

Purpose

In 1994, the Illinois Development Finance Authority, a predecessor to the Illinois Finance Authority (hereinafter "IFA"), issued bonds on behalf of the borrower, LA-CO Industries, Inc., in the amount of $4,500,000 for a project located in Chicago, Illinois. Certain technical changes need to be made to the documents in order to extend the maturity of the bonds and to change other features of the transaction.

In order to make these technical changes, certain bond documents must be amended.

The borrower is requesting that the IFA board adopt a resolution that allows the borrower to so amend the relevant bond documents to make these technical changes.

Recommendation

Staff recommends that the board adopt a resolution amending certain bond documents in order to allow the borrower to make these technical changes consistent with the foregoing.

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ILLINOIS FINANCE AUTHORITY

Memorandum

Memo To: IFA Board of Directors

From: Pamela Lenane

Date: March 5, 2004

Re: Little Company of Mary Hospital and Health Care Centers requests to amend the structure of its Series 1997B Tax Exempt Bonds

H-HO-TE-CD-411

Request: Little Company of Mary Hospital and Health Care Centers ("LCMH") requests the IFA Board consent to allow the Series 1997B Bonds to include a new series of Variable rate Multi-Mode Bonds in the form of an "Auction Rate Mode."

Background: Currently, LCMH has approximately $66,615,000 of Series 1997B Bonds outstanding. LCMH's bonds are currently Variable Rate Revenue Demand Bonds that are secured with MBIA Insurance and a liquidity facility provided by Bank One.

LCMH paid an initial premium for the MBIA Insurance and pays an ongoing fee to Bank One for the liquidity facility. By switching to an Auction Rate Mode, LCMH would eliminate the ongoing liquidity facility fee resulting in a lower all-in cost.

LCMH wishes to preserve its right to put a liquidity facility back on the bonds and access Variable Rate Revenue Demand Bond markets. For now and the indefinite future Trinity would like to use an Auction Rate mode. There is no current mode in the Trust Indenture that allows this.

PROFESSIONAL & FINANCIAL

Underwriter:	Goldman, Sachs	Chicago, IL	Mark Florian
Hospital Counsel:	Ungaretti & Harris	Chicago, IL	Tom Fahey
Bond Counsel:	Jones Day	Chicago, IL	Mike Mitchell
Trustee:	JP Morgan	Chicago, IL	Chitra Patel
IFA Counsel:	John Haderlein (in-house counsel)		

GLOSSARY OF ACRONYMS AND TERMS USED BY IFA

I. Terms commonly used in IFA write-ups

Bond Counsel	On financing team for Borrower
Issuers Counsel	Outside counsel to represent IFA
AD	Restructuring Ag Debt Guarantee
AL	Assisted Living
B	Business
CD	Conduit
CF	Coal Fired Power Plants
CL	Construction Loan Interim Financing
CP	Community Provider
DC	Distressed Cities
E	Education/Cultural
FF	Fund to Funds
FR	FreshRate
FT	Fire Truck Revolving Loan
GO	Local Government Obligation
GP	Local Government Pooled Bond
GR	Local Government Revenue Bond
H	Health Care

HO	Hospital
HF	Health Facility
I	Industrial
ID	Industrial Development Bonds
IF	Tax Increment Financing
IFA	Illinois Finance Authority
L	Local Government
LOC	A form of supplement or, in some cases, direct security for a municipal bond under which a commercial bank or private corporation guarantees payment on the bond under certain specified conditions
M	Mortgage
MH	Multifamily Housing
MS	Medical School
NP or FP	Not for Profit
NH	Nursing Home
P	Pollution Control
PC	Private College
Placement Agent/ Underwriter	Securities firm that purchases Bonds and places with investors. Engaged by Borrower
PF	Private Foundation

PL	Participation Loan
PO	Pollution Control/Environment
PS	Private School
Private Placement	Negotiated sale in which the new issue securities are sold directly to institutional or private investors rather than through a public offering.
PW	Pooled Warrant Program for School
RD	Rural Development
SD	Local School District
SG	Specialized Livestock Guarantee
SL	Senior Living
SS	Local Special Service Area
SW	Solid Waste
TA	Tax Anticipation Notes
TB	Technology Development Loan
TX	Taxable
RE	Refunding
UR	Water or Gas - Utility Revenue Bonds
V	Venture Capital
YF	Young Farmer Guarantee

II. General Bond and Financing Terms

Amortize	Retire the Principal of an issue by periodic payments either directly to bondholders, or first to a Sinking Fund and then to bondholders.
Arbitrage	Interest rate differential that exists when proceeds from a municipal bond which is tax-free and carries a lower yield are invested in taxable securities with a yield that is higher. THIS IS ILLEGAL solely as a borrowing tactic per 1986 Tax Reform Act.
Average Life	Average length of time an issue of serial bonds and/or term bonds with mandatory sinking funds and/or estimated prepayment is expected to be outstanding.
Basis Point	One one-hundredth of one percent (1/100% or 0.01 percent) 100 basis points equal one percent.
Capitalized Interest	A portion of the proceeds of an issue that is set aside to pay interest on the securities for a specified period of time.

Conduit Bonds	Bonds whose repayment is the responsibility of the business or developer who benefits from the financing, rather than the issuer who only collects the taxes, fees or revenues and passes them on to the bondholder.
Cost of Issuance	Expenses associated with the sale of new issue of municipal securities, including such items as underwriter" spread, printing, legal fees and rating costs.
Covenant	Legally binding commitment by the issuer of municipal bonds to the bondholder.
Debt Ratio	Ration of the issuer's general obligation debt to a measure of value, such as real property valuations, personal income, general fund resources, or population.
Debt Service	Required payments for principal and interest.
Debt Service Fund	Separate account in the overall sinking fund into which moneys are placed to be used to redeem securities, by open-market purchase, request for tenders or all, in accordance with a redemption schedule in the bond contract.
Default	Breach of some covenant, promise or duty imposed by the bond contract – failure to pay in a timely manner principal and/or interest when due.
Direct Sale	Sale of new security by the issuer to investors, bypassing the underwriter or middleman.

Face Value	**Stated principal amount of a bond**
Fiscal Agent	**Also known as Paying Agent – bank, designated by the issuer to pay interest and principal to the bondholder.**
Fixed-interest	**Bond with an interest rate that stays the same over its life span.**
Floater	**Variable rate – Method of determining the interest to be paid on a bond issue by reference to an index or according to a formula or other standard of measurement at intervals as stated in the bond contract.**
GO	**General Obligation Bonds – voter approved bonds – backed by the full faith, credit and unlimited taxing power of the issuer**
Indenture	**Bond Contract – states time period for repayment; amount of interest paid etc.**
Maturity	**Length of time before the principal amount of a bond is due to the bondholders. It is the time until a bond may be surrendered to its issuer.**
MO	**Moral Obligation Bonds – sold by state without voter approval and are used for specific purposes – in the event of a shortfall, it is implied that the state will make up the difference.**

OS	Official Statement – Prospectus document circulated for an issuer prior to a bond sale with salient facts regarding the proposed financing. There are two: Preliminary/or Red Herring because some of the type on its cover is printed in red and, (it is subject to final change and update upon completion of sale of bonds) it is supposed to be available to the investor before the sale; Final OS must be sent to the purchaser before delivery of the bonds.
Par Value	Face value of bond – generally $1000
Pari Passu	Equitably and without preference – all equal
Principal	Amount owed; face value of a debt
Public Offering	Sale of bonds (generally through an underwriter) to the general public (or a limited section of the general public).
Refunding Bond	Issuance of a new bond for the purpose of retiring an already outstanding bond issue.
Revenue Bond	Municipal Bond whose debt service is payable solely from the revenues derived from operating the facilities acquired or constructed with the proceeds of the bonds
Secondary Market	Trading market for outstanding bonds and notes.

Serial Bond	**Bond of an issue that features maturities every year, annually or semiannually over a period of years, as opposed to a Term Bond, which is a large block of bonds maturing in a single year.**
Sinking Fund	**Fund established by the bond contract of an issue into which the issuer makes periodic deposits to assure the timely availability of sufficient moneys for the payment of debt service requirements.**
State & Local Government Series	**United States Treasury obligations, which take the form of Treasury Notes, Treasury Bonds or Treasury Certificates of Indebtedness. The US Government created a "State & Local Government Series" of such notes, bonds and certificates to allow municipal bond proceeds to be put into "permitted" investments which would comply with IRS arbitrage provisions, and to not engage in "yield burning".**
Swap	**Exchange of one bond for another. Generally, act of selling a bond to establish an income tax loss and replacing the bond with a new item of comparable value.**
Tax-Exempt Bond	**Bonds exempt from federal income, state income, or state tax and local personal property taxes. States do not tax instruments of the federal government and the federal government does not tax interest of securities of state and local governments.**

Technical Default	**Failure by the issuer to meet the requirement of a bond covenant. These defaults do not necessarily result in losses to the bondholder. The default may be cured by simple changes of policy or actions by the issuer.**
Term Bond	**Bonds comprising a large part of all of a particular issue that come due in a single maturity.**
Trust Indenture	**Contract between the issuer of municipal securities and a trustee, for the benefit of the bondholders.**
Trustee	**Bank designated as the custodian of funds and official representative of bondholders. Trustees are appointed to insure compliance with the trust indenture and represents bondholders to enforce their contract with the issuer.**
Underwrite	**Agreement to purchase an issuer's unsold securities at a set price, thereby guaranteeing the issuer proceeds and a fixed borrowing cost.**
Underwriter	**Dealer that purchases a new issue of securities for resale.**
Variable Rate Demand Bond	**Bond whose yield is not fixed but is adjusted periodically according to a prescribed formula.**
Yield	**Measure of income generated by a bond**
Yield to Maturity	**Rate of return anticipated on a bond held until maturity**

Illinois Finance Authority
Market and Product Codes

Market	Market Code	Submarket	Submarket Code	Type of Product	Type Code
Industrial	I	Industrial Development Bonds	ID	Tax Exempt	TE
		Utility Revenue Bonds	UR	Taxable	TX
				Refinancing	RE
Mortgage	M	Multifamily Housing	MH	Conduit	CD
		FreshRate	FR	Non-Conduit	NC
				Moral Obligation	MO
Pollution Control	P	Solid Waste	SW	Tech Devl Loan	TD
		Pollution Control	PO	Fund to Funds	FF
		Coal Fired Power Plants	CF	Guaranteed	GT
Business	B	Loans	LL		
		Rural Devel Loan	RD		
Agriculture	A	Young Farmer Guarantee	YF		
	A	Specialized Livestock Guar	SG		
	A	Restructuing Ag Debt Guar	DR		
	A	Ag Industry	AI		
	A	Beginning Farmer Bond	FB		
	A	Beginning Farmer Contract Bond	CB		
Venture Capital	V				
Education/Cultural	E	Private School	PS		
		Private College	PC		

Market	Market Code	Submarket	Submarket Code	Type of Product	Type Code
		Private Foundation	PF		
Local Government	L	Local Gov. Obligation	GO		
		Local Gov. Pooled Bond	GP		
		Local Gov. Revenue	GR		
		Tax Increment Financing	IF		
		Local School District	SD		
		Local Special Service Area	SS		
		Distressed Cities	DC		
		Tax Anticipation Notes	TA		
		Construction Loan Interim Fin	CL		
		Fire Truck Revolving Loan	FT		
		Pooled Warrant Program for Schools	PW		
Health Care	H	Hospital	HO		
		Assisted Living	AL		
		Nursing Home	NH		
		Senior Living	SL		
		Community Provider	CP		
		Health Facility	HF		
		Medical Schools	MS		
Other non-profits	N	Other types of non-profits	NP		

ILLINOIS

Positive on DePaul

Moody's Investors Service last week affirmed DePaul University's Baa1 rating and revised its outlook to positive from stable in conjunction with next month's sale of $60 million of bonds.

The deal includes the sale of $53 million of tax-exempt revenue refunding bonds and $7 million of taxable refunding bonds. The bonds are being sold on DePaul's behalf by the Illinois Finance Authority.

Analysts said the rating is due to the Chicago-based school's strong student market position in the area and its growing enrollment. In addition, analysts noted that the university's operating performance is solid, with "healthy cash flow to support debt repayment." They attributed the change in outlook to the expectation that the school will continue to strengthen its market positions. The rating action affects a total of $166 million of debt.

DePaul will refund its $60 million 2000 issue to accomplish two goals. First, the university wants to free itself of a restrictive covenant included in bond documents at the behest of Ambac Assurance Corp., which insured the deal.

The covenant uses a complex formula, reviewed annually, to determine whether DePaul can issue additional debt with a maturity beyond one year during the course of the next fiscal year. School officials said the covenant, based on their current calculation, prohibits them from issuing additional debt through the current fiscal year, which ends on June 30, 2004.

The covenant was not included in past deals insured by Ambac, and school finance officials who reviewed the bond documents at the time were not fully aware of its implications and its potential impact in coming years, school officials have said.

The deal's other goal is to convert about $7 million of the original bonds to taxable securities. The proceeds were originally used in connection with a food vendors' complex located in one of the school's buildings. By eliminating the tax exemption on the debt, the school will have more flexibility to increase profits associated with its vending contracts. Fees on the new deal will total about $2 million.

Lehman Brothers is the underwriter.

— *Yvette Shields*

O'Hare Critics Complain

Sen. Peter Fitzgerald, R-Ill., has asked the U.S. Department of Transportation's inspector general to probe the Federal Aviation Administration's review of Chicago Mayor Richard Daley's proposed $6.6 billion expansion of O'Hare International Airport.

The request was made in a letter authored by Fitzgerald and Rep. Henry Hyde, R-Ill., both staunch critics of the expansion project. Fitzgerald released the letter at a public meeting on Sunday. It alleges that the FAA has failed to take into consideration some financial and air traffic data that opponents view as negative, and it charges that there is too much "cronyism" between city officials and FAA officials in Chicago for the review to be unbiased.

FAA officials have said they are reviewing the plan fairly and noted that they have rejected some pieces of the project and that at one point they asked the city to rework the airport taxiway design proposal.

In other O'Hare news, Daley last week tapped John Roberson, executor director of Chicago's Department of Construction and Permits, as the new commissioner of the city's Aviation Department, which manages O'Hare and Midway Airport. Roberson replaces Tom Walker, who resigned to join the private sector.

— *Yvette Shields*

IOWA

Dorm Debt Dropped

Standard & Poor's last week knocked the University of Northern Iowa's outstanding dormitory revenue bonds to BBB-plus from A-minus and, by attaching a negative outlook to the credit, warned that another downgrade could be in works.

In addition, analysts gave an A rating to the university's upcoming sale of $10 million of field-house revenue bonds and $3.9 million of student health system bonds. Standard & Poor's revised its rating outlook for the next two-year period to negative from stable on this unlimited student fee-supported debt.

"The outlook revision is due to multiple years of declines in enrollment and freshman applicants, limited capacity to absorb large continuing tuition increases, and accumulated financial pressure from a combination of state appropriation cuts, lower enrollment, and mandated salary and benefit costs," analyst Susan Carlson said in the agency's report.

— *Yvette Shields*

MICHIGAN

A Deficit in Detroit?

Detroit City Council officials said last week that their analysis shows the city faces a $120 million shortfall in fiscal 2004 — a claim that Mayor Kwame Kilpatrick questioned.

Kilpatrick, who was expected to g state of the city address last night, s figures were premature, according t news reports. The council's analys the city would carry over a $60 r deficit from fiscal 2003 and that i another $60 million shortfall in the c fiscal year from lower state aid and pi and income tax revenues.

Detroit has a $1.4 billion budget. The sis was based on figures from the first fiscal 2004, which ends June 30. City cil members asked the administration tc up with a plan to balance the budget, a ing to local news reports.

The city plans to hold hearings on the fiscal year budget, which the council's sis said could be short more than $12 lion.

Kilpatrick will introduce his bud April.

— *Elizabeth C.*

MINNESOTA

HealthEast Upgrade

HealthEast Inc.'s credit inched clo investment grade last week when S dard & Poor's upgraded it to BB from minus and tacked on a positive outlook.

The hospital system's $200 million of b were sold by the South St. Paul Housing Redevelopment Authority, the Washin County Housing and Redevelopment thority, and the city of Maplewood.

Fitch Ratings late last year upgradec system to BB-plus from BB.

Standard & Poor's analysts said the ra hike was due to improvements in HealthE operations that have resulted in a better position and debt service coverage levels

For the fiscal years that ended Aug. 2003, and Aug. 31, 2002, HealthEast po operating income of $9.2 million for a margin and $6.0 million for a 1.1% mar These results were posted after two conse tive years of declining operations and losse operations. For fiscal 2001, HealthEast ported a $9.1 million operating loss.

"The positive outlook on HealthEas based on the achievements that the mana ment team has been able to accomplish in past two years. As the organization contin to focus on its operations, it is expected t HealthEast will be able to achieve its tar for fiscal 2004," analysts wrote.

— *Yvette Shi*

OHIO

New HFA Head

The Ohio Housing Finance Agency a nounced last week that Douglas Ga

Visible Supply by State

Midwest: Plain/Insured

Chicago Tribune

BUSINESS

THURSDAY
FEBRUARY 26, 2004

INSIDE HEALTH CARE BRUCE JAPSEN

Downgrade aside, Holy Cross stays on turnaround track

A South Side hospital said it is committed to remaining independent despite a recent downgrade of its bonds by **Moody's Investors Service** and a resulting cash crunch.

Holy Cross Hospital had just $6.6 million, or about 19.8 days, of cash on hand as of June 30, the end of its most recent fiscal year. That financial statement triggered Moody's to downgrade the hospital's long-term-debt rating two notches, from Ba3 to B2, the 15th notch on the New York agency's 21-rating scale.

"The rating downgrade reflects an alarmingly low liquidity level," Moody's said in its report this month.

The operating deficits for the past five years ranged from $8 million to $16 million in large part because of losses from doctor practices owned by the hospital, Moody's report shows.

The problems have also fueled speculation that Holy Cross, like some of its rivals on the South Side, would be open to a potential buyout or merger. Mercy Hospital and Medical Center and Michael Reese **Hospital** are each looking into potential new ownership or partnership arrangements.

But Holy Cross' new management team and turnaround consultant, **The Rindler Group** of South Carolina, last year pulled the plug on owning doctor practices, a once-popular 1990s business model that other hospitals have also exited because of its costs.

"The effect of unwinding that was key to the turnaround that began a year ago," said **Brian Lemon**, who became Holy Cross' chief executive in May. "It was a real drag on the financial structure."


Brian Lemon

Like most other hospitals, Holy Cross found that the expense of employing physicians and owning doctor practices and related real estate cost it millions of dollars.

Hospitals that take physicians off their payrolls typically find the doctors become more productive once they are working for themselves or other physicians rather than the hospital, analysts say.

Holy Cross reduced its owned clinic sites to two from 11 and the number of physicians it employs to seven from 25. The restructuring included selling practices back to some doctors.

"The physicians who remain employed are now under new efficiency contracts," Moody's said.

Now Holy Cross is back to more traditional methods of recruiting independent physicians and practices to join its medical staff.

It may be paying off, since the hospital in January made its first monthly profit in more than four years, Lemon said. "I don't think we will break even this year but we will do better than break even in our next fiscal year [which begins July 1]," Lemon said.

Holy Cross, at 2701 W. 68th St. in Chicago's Marquette Park neighborhood, also has the backing of its owners, the **Sisters of St. Casimir**, the Lithuanian order of nuns that founded the hospital in 1927.

"It is the intention of the sisters for the hospital to continue to serve its mission, and it's our belief that we can do that while remaining independent," Lemon said.

Reporters' notebooks

TUESDAY
Inside Retailing

WEDNESDAY
Inside Commercial Real Estate

■ THURSDAY
Inside Health Care

FRIDAY
Inside Financial Services

SATURDAY
Inside Technology

Illinois Finance Agency OKs $500 Million Of Deals From Hospitals, Health Systems

By Yvette Shields

CHICAGO — The **Illinois Finance Authority** gave preliminary approval this week to a handful of Illinois-based hospitals and health systems that are planning to enter the market over the next few months with roughly $500 million of new-money and refunding bonds.

The largest deal will come from **Central DuPage Health**, which is planning a $240 million sale with **Goldman, Sachs & Co.** as the lead underwriter. About $40 million will current refund bonds issued in 1992. The remaining is new money that would finance construction of several projects including a new women and children's facility and a new ambulatory care center, according to Goldman's **Mark Florian**.

The deal would be structured in floating-rate mode, with $100 million as variable-rate demand and the remainder in auction rate. The highly rated system — with a AA by **Standard & Poor's** and AA-minus by **Fitch Ratings** — will provide self-liquidity on the variable-rate demand portion. Auction-rate securities do not require liquidity since they do not have a put option. The system includes Central DuPage Hospital in Winfield and other health facilities all located in Kane and DuPage Counties just west of Chicago.

Goldman is also the lead underwriter on two other transactions that were presented at the IFA's meeting on Tuesday. They include $56 million for **Children's Memorial Medical Center** in Chicago and $40 million for **Riverside Health System**.

The Children's Memorial deal will advance refund 1999 bonds. It will include a mix of variable-rate and fixed-rate bonds as well as an interest rate swap, according to Goldman banker **David Utz**. The timing of the deal depends on market conditions, Utz said. Kankakee-based Riverside will refund a 2000 issue with auction-rate bonds that would include a floating-to-fixed-rate swap.

Swedish American Health System, based in Rockford, Ill., sought approval for a $125 million sale that would be managed by **Merrill Lynch** & Co. About $50 million of the proceeds would finance construction projects, including a new four-story cardiac pavilion and the expansion and renovation of outpatient surgery facilities, according to the system's chief financial officer **Don Haring**. The remainder would current refund debt sold in 1993 and advance refund bonds issued in 2000.

Since the hospital is still awaiting its certificate of need from state regulators, no sale date has been set, said Merrill banker **Ken Vallrugo**. The transaction would include a mix of floating- and fixed-rate bonds and may include an interest rate swap. The borrower anticipates receiving ratings in the single A category and may also seek triple-A insurance coverage.

Southern Illinois Healthcare Enterprises will sell $35 million of new-money bonds to modernize and expand its hospital facilities in Carbondale, Herrin, and Murphysboro. **RBC Dain Rauscher** Inc. is the underwriter. The floating-rate bonds would be backed by a letter of credit from **Bank One**.

The IFA — created at the start of the year as a result of the merger of a handful of statewide conduits — is still reviewing policy issues, such as whether it will dictate what legal and underwriting firms can be used by borrowers. Until those decisions are made, borrowers can use the firms of their own choosing.

"We are still trying to reconcile the different policies of the agencies," said board chairman **David Gustman**.

Illinois Budget Calls for Cuts, Tax Reform, Debt Restructuring

By Yvette Shields

CHICAGO — **Illinois** would close out a $1.7 billion deficit in its $54 billion fiscal 2005 budget through a mix of cuts, revenue increases that rely in part on ending corporate tax breaks, and debt restructuring, Gov. **Rod Blagojevich** announced yesterday.

At the same time, the budget increases overall K-12 spending by $400 million and proposes more for job training, Medicaid spending, and public safety. The budget does not include an increase in the two taxes that make-up the majority of state operating revenues — the income and sales taxes.

The budget also introduces a series of initiatives that Blagojevich said would help the state better manage its finances in the future. He asked lawmakers to endorse a Balanced Budget Act that would require any spending increases be matched with permanent spending cuts or permanent revenue increases.

Blagojevich proposed that state offices not under his control set aside 2% of their budgets in a reserve account and that $50 million go towards Illinois' rainy-day fund for every $1 billion increase in general fund spending. The rainy-day fund is projected to be $276 million at the close of the current fiscal year and at $326 million at the close of fiscal 2005.

In order to pay its bills in a more timely fashion through short-term borrowing, the governor wants lawmakers to give more discretion to the budget office by eliminating the current requirement that lawmakers, the treasurer, and the comptroller sign off on any cash-flow borrowings.

"This would save the state money on the 12% interest it now pays vendors," said budget adviser **Ronald Picur**. The state last year borrowed $1.9 billion in notes but does not anticipate a similar deal this year.

"If we are smart and don't squander this opportunity, we can use the next few months to not only solve this year's budget deficit but to finally begin budgeting in a way that recognizes that the decisions we make today impact our budgets and our plans for tomorrow," Blagojevich said in his speech before the General Assembly. The Democratic governor is entering his second year in office.

The budget does not include an overview of capital spending for the fiscal year that begins July 1. In a departure from tradition, the governor this year has won General Assembly approval to separate the operating and capital spending plans and he will release the second late next month. The $54 billion figure includes both the $11 billion capital and $43 billion operating budgets.

Picur said the capital budget will rely on borrowing levels on par with those of recent years — about $1.4 billion of general obligation bonds — several hundred million dollars more of sales-tax backed bonds.

The operating budget anticipates debt restructuring savings of $130 million. Budget director **John Filan** in past interviews has said the state was reviewing refinancings that would push some now level debt service costs out further, but the final maturities would remain intact. Though rating agencies frown on such a practice, Filan has defended the move, saying that the past administration did not raise revenues to a sufficient level to meet the added debt service costs associated with a $12 billion public works program adopted in 1998.

The budget trims about $840 million off spending by not filling 2,000 vacant jobs and eliminating another 2,000 through early retirement, trimming administrative cuts, consolidating some agencies, and closing several state correctional facilities. The budget also reduces some grants to public and private universities, museums, and private schools.

Illinois would raise an additional $945 million in revenue, including $400 million from closing corporate income tax, sales tax, and other corporate tax loopholes. The corporate tax proposals were immediately met with skepticism from Republican lawmakers and business leaders who have been quoted in published reports voicing fears that businesses and jobs would be driven out of the state.

Another $185 million would be raised from a recently approved hospital tax designed to leverage more federal Medicaid funding, while $57 million would be raised from non-consumer fee increases. The budget also relies on $169 million of one-time revenue infusions from fund transfers and asset sales. Picur noted that number is down sharply from previous years and would help reduce the structural imbalance. Illinois would also tack a 75-cent tax on taxi rides to and from Chicago's two airports.

The deficit stems from increased health care and education costs, a $300 million increase in what was originally estimated to be a $2.1 billion payment owed to the state's pension funds, and a $300 million tax revenue shortfall, according to budget documents.

The increased pension payment was announced by the state auditor recently and is primarily due to a spike in the costs of a 2002 early retirement program. Blagojevich and his aides have yet to say whether they accept that figure.

The budget relies on tax revenue growth of just $280 million with the income tax growing to $8.1 billion in fiscal 2005 from $7.9 billion in the current fiscal year and the sales growing to $6.4 billion from $6.3 billion.

Illinois anticipates closing out fiscal 2004 with a $346 million cash balance, and fiscal 2005 with a $368 million cash balance. Budget aides could not say what the structural imbalance was that remains in the budget, although Picur said that number has been on the decline.

The state was expected to brief the rating agencies on details of the budget today.