MINUTES OF THE BOARD MEETING
OF THE ILLINOIS SPORTS FACILITIES AUTHORITY
May 27, 2015

A meeting of the Board of Directors of the Illinois Sports Facilities Authority was held on May 27, 2015 at 10:00 a.m. in the Board Room of the Illinois Sports Facilities Authority located at 333 West 35th Street, Chicago, Illinois.

Item 1. Call to Order

The Chairman called the meeting to order at approximately 10:05 a.m.

Item 2. Roll Call

Call of the Roll was taken and the following members of the Authority were present: Manny Sanchez, Elzie Higginbottom, Richard Price, Jeffrey Yordon, Rosemarie Andolino, Norm Bobins and Jim Reynolds (arriving late). Also present were Lou Bertuca, Dana Phillips Goodum, Michael Orr, Jeannie Romas, Maureen Gorski and P.J. Frayer of Authority staff and representatives of the Chicago White Sox.

Item 3. Election of Officers

Chairman Sanchez indicated that the Authority is required to elect officers annually. The Chairman nominated the following officers: Mr. Higginbottom as Secretary, Mr. Price as Assistant Secretary, Ms. Andolino as Treasurer and Mr. Bobins as Assistant Treasurer. Upon motion by Chairman Sanchez and seconded by Mr. Yordon the Board unanimously elected those members as officers.

Item 4. Approval of Minutes

Upon motion made by Mr. Price and seconded by Mr. Higginbottom the minutes of the Board's March 12, 2015 meeting were approved as submitted.

Item 5. U.S. Cellular Field Renovations Capital Repairs & Improvements

Mr. Higginbottom stated that there have been numerous construction meetings about projects at the facility and Mr. Orr will provide further detail. Mr. Orr stated that the HVAC project is entering into the final Phase 5 and this project involved replacing the cast iron piping with upgraded materials. Mr. Higginbottom stated that annual repairs keep the facility upgraded, reduce deferred maintenance, maintain US Cellular as a world-class facility and prevent the stadium from falling into disarray. Mr. Orr stated that these projects are aimed at reducing construction and long term maintenance costs. Mr. Orr further stated that the projected capital budget includes best estimates for the upcoming year and the most significant cost would be replacement of the scoreboards. Mr. Price asked if they are the original. Ms. Gorski stated that the left field was updated in the 1990s and that the right field was replaced in 2008, with an 8-10 year life expectancy. Ms. Andolino also stated that technological changes are constant and therefore requires replacement more often. Mr. Higginbottom stated that facilities upgrades are consistent with MLB and the Management Agreement's 75% rule and that the tenant and ISFA work together

to determine what is required and negotiation the scope and cost of these projects. Chairman Sanchez stated that the Authority is required to maintain a world class facility and that the scoreboards will be competitively bid. Mr. Price asked if there are any sponsors who can improve the facility and Ms. Romas stated that the team holds the sponsorship agreements. Mr. Higginbottom indicated that sometimes sponsors do make improvements in the facility via their agreement with the team. Ms. Andolino asked for a life cycle analysis and Mr. Orr stated there is a facilities assessment and that it is complete assessment is done every 5 years. Mr. Yordon asked if the Authority had looked at the technology at Wrigley Field and Mr. Orr confirmed that it has.

Item 6. <u>FY2015 ISFA Operating Results</u>

Ms. Phillips Goodum stated that because of bond indentures ISFA is not subject to GAAP and that the Authority is trending at 8.6% above hotel tax revenue projections from last year and 60K above budget due to the 2014 Fight Night. She further stated that there has been a savings of $4.6M in professional and construction fees and $1.4M net debt service savings by year's end due to the Series 2014 bond refunding. She also stated that the budget was over by $2.5M but that $2M was for Soldier Field, who was pulling cash out of their reserves held in the Soldier Field Capital Improvement Fund this year to pay for their scoreboard project. Chairman Sanchez asked what impact that has on ISFA and she explained that it is not a $2M loss, but rather a result of spending more on contractual obligations out of funds set aside for Soldier Field. Chairman Sanchez asked about ISFA revenues and Ms. Phillips Goodum indicated that the Authority receives hotel tax and two $5M subsidies, one from the City and one from the State which is repaid over 8 months. She further stated that payments are based on agreements that designate the priority of payments; debt service is first, then the Sox subsidy agreement, operating costs and that while most payments are contractual, some judgment is required at the end of the year. Ms. Andolino asked how the Authority handled the dip in hotel tax in 2009 and its impact on the Authority funds. Ms. Phillips Goodum indicated that in FY2011 the dip in hotel tax caused a hit to the City of $111K but that the Authority conservatively estimates the advance and uses hotel tax reserves when needed to insulate the City from exposure.

Mr. Bobins stated that the city is a guarantor and Chairman Sanchez indicated that was as a result of the Soldier Field deal. Chairman Sanchez asked why ISFA needs to go before the State each year if the Authority has the tax and Ms. Phillips Goodum indicated it is because ISFA gets an advance from the State. Mr. Bobins stated there are two pieces: one is that ISFA gets the advance that is paid back by the tax and the second is the City and State each give ISFA $5M. Mr. Bobins state that at some point bond payments will accelerate and it is troublesome because of the zero coupon bonds. Ms. Phillips Goodum estimates that will occur by 2020 but there are other factors that can cause this to be earlier and Chairman Sanchez stated they must generate additional revenue. Mr. Reynolds then arrived. Mr. Bobins stated that at the right time it would make sense to get authorization from Springfield to refinance some bonds due to current lower rates. Mr. Reynolds agreed and stated that amortization requires legislative change and other party agreement and that this type of legislation was done at Navy Pier. Mr. Reynolds has had a conversation with the Governor's office about this matter. Mr. Bertuca stated that the legislation is drafted and that the Authority is ready to go and that timing is critical and that he believes the biggest challenge may be in the House.

Item 7. FY2015 Transfers

Ms. Phillips Goodum stated that use of any remaining funds must be made by June 15th of each year. She stated that on a cash basis, there would be an estimated $4.2M available and therefore recommends that the hotel tax reserve be replenished to the balance of $20M and that remaining available funds (currently $3.8M) be transferred to the Comiskey Capital Improvement Fund. Mr. Yordon asked how the order of payment is determined and Ms. Phillips Goodum indicated that the Three Party Agreement provides the order of payment with debt service always first. Upon motion made by Mr. Bobins and seconded by Mr. Higginbottom the Board unanimously adopted **Resolution 15-07** A Resolution Authorizing Year End Transfers.

Item 8. FY2016 ISFA Proposed Budget

Ms. Phillips Goodum stated that although the statutory maximum appropriation is $57.665M the Authority does not request that amount. Instead, she recommends ISFA's FY2016 budget at $51.415M, which includes debt service ($36.2M) and other contractual obligations totaling $49.255M and $1.7M for operating costs and $443K for commercial property and liability insurance. She further stated that hotel revenue is based on hotel occupancy of 72.4% and that estimates hotel tax for FY2016 to be $41.9M. She stated that 60% of hotel revenue occurs within the 6 month period from July-December and then another uptick in May. Ms. Andolino stated that the convention tourism is not booking those events in outgoing years and that could be hurt. Mr. Bobins stated that the Chairman's Certificate is just about the advance and whatever hotel tax revenue ultimately is, the Authority will get it. He stated that the concern is to not ask for too high an advance because if the hotel tax does not cover it, the State immediately takes it from the City's LGDF fund.

Upon motion made by Mr. Yordon and seconded by Mr. Bobins the Board unanimously adopted **Ordinance 15-01** An Ordinance Adopting the Budget for FY2016 & Making Appropriations for the Ordinary & Contingent Expense of the Authority.

Item 9. FY2016 ISFA Chairman's Certificate

Ms. Phillips Goodum stated that based on the FY2016 proposed budget she recommends $47M for the Chairman's Certificate for FY2016, of which $37M represents the advance amount that must be paid back by June 30, 2016 and a draw on hotel tax reserve of $4.4M because the Authority is taking a lesser appropriation. Upon motion made by Mr. Price and seconded by Mr. Reynolds the Board unanimously adopted **Resolution 15-08** A Resolution Directing the Filing of the Chairman's Certificate.

Item 10. Executive Session

Upon motion made by Chairman Sanchez and seconded by Mr. Reynolds the Board resolved to adjourn to Executive Session at 10:55 a.m. to discuss litigation matters pursuant to Section 2(c)(11) of the Illinois Open Meetings Act and Section 2.06(d) of the Illinois Open Meetings Act to review minutes. The Board returned from Executive Session at 11:15 a.m.

Item 11. Matters Arising Out of Executive Session

The Board returned to open session at 11:15 a.m. Chairman Sanchez indicated the members of the Board had the opportunity to review the closed session minutes of May 2, 2014, May 28, 2014 and December 8, 2014 and that a determination was made that the need for confidentiality still exists as to all of the minutes. Upon motion by Mr. Price and seconded by Mr. Bobins the Board unanimously approved the minutes as submitted and adopted the recommendation to maintain the confidentiality of those minutes.

Item 11. Other Business

There was no other business brought before the Board.

Item 27. Adjournment

Upon motion duly made Mr. Yordon and seconded Mr. Price, the Board meeting was adjourned.

[redacted]

Chairman, Manuel Sanchez

ATTEST:

[redacted]

Secretary, Jeffrey Yordon