

**MINUTES OF THE SPECIAL BOARD MEETING
OF THE
ILLINOIS SPORTS FACILITIES AUTHORITY
MAY 28, 2014**

A Meeting of the Board of Directors of the Illinois Sports Facilities Authority was held on May 28, 2014 at 10:30 a.m. at the offices of the Illinois Sports Facilities Authority located at 333 W. 35th Street, Chicago, Illinois.

Item 1. Call to Order

The Chairman called the meeting to order at approximately 10:30 a.m.

Item 2. Roll Call

Call of the Roll was taken and the following members of the Authority were present: Emil Jones, Jr., Norman Bobins, Elzie Higginbottom, Richard Price, Jim Reynolds, Dennis Gannon and Quentin Young. Present on behalf of Authority staff were Kelly Kraft, Dana Phillips Goodum Michael Orr, Jeannie Romas and P.J. Frayer. Also present were Kelly Hutchinson and Mark Schutz (A.C. Advisory), Phoebe Shelden (Acacia), Carole Brown (Barclays), Carlos Pineiro (Goldman, Sachs), Scott Bremer (Quarles & Brady), Glenn Weinstein, Lorraine Tyson (Pugh, Jones and Johnson), Michael Ripani (Seyfarth Shaw) and John Corvino (Chicago White Sox).

Item 3. Election of Officers

Chairman Jones stated that ISFA is required to elect officers annually. The Chairman nominated the same officers as last year: Mr. Higginbottom as Secretary; Mr. Price as Assistant Secretary; Mr. Gannon as Treasurer and Mr. Bobins as Assistant Treasurer. Upon motion by Mr. Reynolds and seconded by Mr. Gannon, the Board unanimously approved the reelection of those members as nominated by the Chairman.

Item 4. Approval of Minutes

Upon motion duly made by Mr. Bobins and seconded by Mr. Higginbottom the minutes of the Board's May 2, 2014 meeting were approved as submitted.

Item 5. CEO/Executive Director Report

Ms. Kraft stated that her main objective at this time was the refunding, including a Fitch rating presentation this week. Mr. Reynolds asked for a copy of the rating presentation and if other presentations were planned. Ms. Kraft confirmed that the S&P presentation would be June 12th. Mr. Reynolds asked what was anticipated of the Fitch ratings and Ms. Brown stated that she was relatively certain there would be an affirmation of the rating but that they have spent a lot of time working on a presentation in hopes of an upgrade. She further stated the goal was to emphasize

the double barrel credit (hotel tax and the City backstop) and that the Authority is a strong taxing body while looking to de-emphasize the state appropriation nature of the credit. Mr. Reynolds asked about Moody's and Ms. Brown stated that there is no Moody's rating and they would likely remain silent. Mr. Higginbottom asked about the approach of ISFA as a taxing body. Ms. Brown stated that the way ISFA was presented in the past to the capital markets was linked to the state and that now they are trying to emphasize the taxing authority of Authority as well as the strength of hotel tax, reserves and the economy. Mr. Gannon added that there are a number of new hotels coming up and Mr. Reynolds stated that this is the best time to go to the markets and likes the suggested approach. Mr. Reynolds asked if there would be a roadshow and Ms. Brown stated it hasn't been decided but that the timing is driven by the need for AMBAC consent (was AAA and now CCC rated company) which is taking time.

Mr. Bobins asked about the potential bond issuance and the need for AMBAC consent. Ms. Brown stated that the goal was to have AMBAC continue to provide the surety. Mr. Bobins questioned the value of the surety and Ms. Brown stated that AMBAC has set aside capital to honor those commitments. Mr. Reynolds asked if the deal can move forward without their consent. Ms. Brown explained that the Authority has already paid for that surety and that this is about limiting the Authority's exposure. Ms. Bobins asked if the Authority has a cash reserve for the bonds and Ms. Brown confirmed it does for one series but that the others are under the surety. Mr. Bobins then asked about the model for revenue projections in 2018 and 2020. Ms. Brown stated that debt service is a fixed number but that for hotel revenue projections, they rely upon the Authority, who in turn relies on the Department of Revenue and OMB. Mr. Bobins asked what would happen if the revenue stream would not grow fast enough to cover debt. Ms. Brown stated that the markets will look at the state maximum appropriation, hotel tax, City and State subsidy and City backstop.

Item 6. U.S. Cellular Field Renovations Capital Repair & Improvements

Mr. Higginbottom reported that the Construction Committee met earlier that morning to review the items on the capital budget for FY2015. The Committee has been making repairs to maintain the facility as a world class ballpark and he is therefore recommending a budget of \$13,658,000. Mr. Orr stated they are looking at waste and vent piping and have completed the storm water retention, which will encourage the start of other projects. He also stated that lighting, vertical transportation and other projects have been completed and that they are looking to improve the Building Automation System that runs the entire building. Mr. Higginbottom also stated that the clubhouse facility has been included to make it comparable to other teams in the league.

Item 7. Report of the Audit Finance & Investment Committee

Mr. Reynolds stated that the AFI Committee met to move forward on a refunding, selected underwriters and bond counsel. Mr. Reynolds presented the Parameters Resolution containing the details of the bond deal. Upon motion by Mr. Reynolds and seconded by Mr. Gannon, the Board

unanimously approved Resolution 14-05-A Resolution Authorizing the Issuance by the Illinois Sports Facilities Authority Of Not to Exceed \$335,000,000 Aggregate Principal Amount of its Sports Facilities Refunding Bond (State Tax Supported) Series 2014.

Item 8. Insurance Renewal for 2014-2015

Ms. Phillips Goodum stated that insurance expires annually on March 15th. She further stated that the cost went up for property due to the increase value of the stadium appraisal at \$505M. She also stated that two new items in the policy include Crime/Employee Dishonesty and terrorism coverage for property to cover January 1, 2015- March 15, 2015 (cost of \$26,300) because there is a possibility the federal government may not provide coverage beyond December 31, 2014.. Further, she added that insurance companies are unwilling to confirm terrorism coverage pricing for liability policies beyond 2014. Ms. Phillips Goodum stated the resolution included an increase in public official's insurance to \$3M, property terrorism coverage and to bind commercial property, liability and public officials insurance. Mr. Reynolds asked about the public official's insurance and Ms. Phillips Goodum stated it covers employees and Board members regarding alleged wrongful acts and employment practices. Upon motion by Mr. Gannon and seconded by Mr. Price, the Board unanimously approved Resolution 14-06- A Resolution Authorizing the Renewal of Public Officials Liability Insurance and Commercial Liability Insurance for the Authority.

Item 9. FY 2014 ISFA Operating Results

Ms. Phillips Goodum stated that the hotel tax for the nine months ending March 31, 2014 was up 6.4% above actual 2013 results. She further stated that the Authority will have a permanent savings of audit fees of \$100,000 based on the Auditor General finding that there is no longer a need for 2003 or 2008 bond audit. Ms. Phillips Goodum stated that there are savings on professional fees and \$1.6M in construction due in part to deferred projects. She also stated that the hotel tax was up 4.7% from last year as of May and that from an audit perspective (as it relates to the city) she projects hotel tax at \$39.7M net hotel tax. Ms. Phillips stated that hotel revenue for March is down and that there is an increase can be expected over the summer. Mr. Gannon stated that the hotels are cyclical in nature and Ms. Phillips stated that the piece that is still uncertain is the impact of leisure travel.

Item 10. Resolution 14-07

Ms. Phillips Goodum stated that the SEP plan was changed to a 401(a) government plan which allows for a waiver of one year service by the Chairman or Board, because without the change the Authority would be in violation of the IRS code. Mr. Reynolds stated that the current plan has a one year service requirement and Ms. Phillips Goodum confirmed that was the case. Mr. Price stated that Kelly was in the SEP plan and Ms. Phillips Goodum confirmed that was accurate and what brought about the needed change. Ms. Romas stated that this allows those who come from a qualifying governmental agency to not have to wait one year before participating in the plan. Mr.

Jones asked if the Authority could be part of the state pension, stating that such a change would require legislative action. Upon motion by Mr. Reynolds and seconded by Mr. Price, Resolution 14-07- A Resolution Related to the ISFA Non-Elective 401 (a) Governmental Plan was unanimously approved by the Board.

Item 11. FY2014 Transfers

Ms. Phillips Goodum stated she is estimating \$6.5M available on June 14, 2014, and is requesting replenishing the hotel tax reserve by \$4M, a transfer of \$3M to the Comiskey Capital Improvement Fund and that any remaining funds go to the hotel tax reserve. Upon motion by Mr. Bobins and seconded by Mr. Higginbottom, Resolution 14-08– A Resolution Authorizing End of Fiscal Year 2014 Transfers was unanimously approved by the Board.

Item 12. FY2015 ISFA Proposed Budget

Ms. Phillips Goodum stated that expenses are \$51.2M, of which approximately 70% is debt service, 25% is contractual and 5.2 % of operating expenses, which includes commercial and liability insurance. She further estimates hotel tax at \$39.7M, which is a 3% increase from last year. Ms. Phillips Goodum then discussed the Chairman's Certificate (under the next tab) and that she was requesting \$46M, which was a conservative estimate looking to insulate the city, which includes the repayment of hotel tax and the two \$5M subsidies. Mr. Bobins stated that he thought the hotel tax would hit \$40.8M. Mr. Higginbottom stated a higher request wasn't needed given the available cash. Mr. Bobins asked if the Certificate included the capital budget and Ms. Phillips Goodum confirmed that included the minimum contractual obligation with the remaining amounts from cash reserves. Upon motion by Mr. Gannon and seconded by Mr. Bobins, the Board unanimously approved Ordinance 14-01- An Ordinance Adopting the Budget for FY2015 & Making Appropriations for the Ordinary & Contingent Expenditures of the Authority.

Item 13. FY2015 ISFA Chairman's Certificate

Upon motion by Mr. Higginbottom and seconded by Mr. Bobins, the Board unanimously approved Resolution 14-09- A Resolution Directing the Filing of the Chairman's Certificate.

Item 14. Executive Session

Upon motion made by Chairman Jones and seconded by Mr. Gannon, the Board unanimously resolved to adjourn to Executive Session at 11:30 a.m. to discuss litigation matters pursuant to Section 2(c)(11) of the Illinois Open Meetings Act and to review the Minutes of Closed Meetings pursuant to Section 2.06 (2) (d) of the Illinois Open Meetings Act.

Item 15. Matters Arising from Executive Session

The Board returned from Executive Session at 12:10 p.m. Mr. Bobins reported that the members had the opportunity to review the minutes from the closed session meetings of February 19, 2013; May 21, 2013; September 24, 2013; December 10, 2013 and February 22, 2014, and that a determination was made that the need for confidentiality still exists as to all of the minutes. Upon motion made by Mr. Bobins and seconded by Mr. Price the Board unanimously adopted the recommendation to maintain the confidentiality of those minutes.

Item 16. Other Business

The Board discussed and determined a pay raise was appropriate. Upon motion by Mr. Gannon and seconded by Chairman Jones, the Board unanimously approved a three percent raise for all staff effective June 1, 2014. There was no other business before the Board.

Item 17. Adjournment

Upon motion duly made by Mr. Higginbottom and seconded by Mr. Bobins the Board meeting was adjourned at 12:15 p.m.


Chairman, Emmi Jones, Jr.

ATTEST:


Secretary, Elzie Higginbottom