



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET ITEM: A-01	BOARD MEETING: June 4, 2019	PROJECT NUMBER: 16-048
PERMIT HOLDERS(S): Deaconess Regional Healthcare Services Illinois, Inc. Ferrell Hospital Community Foundation		
FACILITY NAME and LOCATION: Ferrell Hospital, Eldorado		

STATE BOARD STAFF REPORT **PERMIT RENEWAL REQUEST**

I. Background

On March 14, 2017, the State Board approved Project #16-048. The permit authorized the modernization and expansion of Ferrell Hospital, in Eldorado. The State Agency notes the current project completion date is March 31, 2019. Project cost: \$37,353,666.

This permit renewal was deferred from the March and April 2019 State Board Meeting to address the concerns of the State Board regarding the phased financing of the project. The Permit Holders addressed questions from the State Board Staff and that information has been provided at the end of this report as well as the transcript excerpt from the March 2019 meeting. On March 14, 2019 the Permit Holders submitted their financial commitment letter with the approval of the Direct Loan from the USDA.

State Board Staff notes the permit holders submitted the permit renewal request on February 11, 2019. This submittal was in accordance with 77 IAC 1130.740(d), which states that the State Board must receive renewal requests at least 45 days prior to the permit expiration date. A \$500.00 permit renewal fee accompanied the renewal request.

II. Findings

State Board Staff notes this is the first renewal request for this project and the permit holders have submitted all the information required in Section 1130.740 for a permit renewal.

III. The Permit Renewal Request

- A. Requested Completion Date: The permit holders request a project completion date of March 31, 2021. This would extend the project's completion date twenty-four months, from March 31, 2019 to March 31, 2021.
- B. Status of the Project and Components Yet to be Finished: The permit holders state the initial phase of securing a funding commitment from the USDA is complete, and the next step of securing interim funding for the project is underway. The construction phase is expected to commence in early Spring 2019.
- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state delays associated with securing a commitment for project funding from the USDA resulted in a significant delay in the project timeline.
- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate that \$2,597,614 (6.9% of the overall project cost), has been expended to date, and the permit holders can attest to the existence of sufficient financial resources to complete the project.
- E. Anticipated Final Cost of the Project: The permit holders estimate the project will not deviate from the original permit amount of \$37,353,666.

IV. Project Description & Other Background Information

The permit authorized a major modernization/expansion project on the campus of Ferrell Hospital, in Eldorado. Project cost: \$37,353,666.

Permit Issuance Date:	March 14, 2017
Project Obligation Date:	March 14, 2019
Original Project Completion Date:	March 31, 2019
Proposed Project Completion Date: (24-month renewal request)	March 31, 2021

V. Applicable Rules for Permit Renewal Requests

77 IAC 1130.740 specifies that a permit holder may request a change in the approved project completion date by applying for a permit renewal.

77 IAC 1130.230(h)(5) states that failure to complete a project or to renew a permit within the prescribed timeframes will subject the permit holders to the sanctions and penalties provided in the Act and this Subpart.

77 IAC 1130.740(b) states that a permit renewal will commence on the expiration date of the original or renewed completion period.

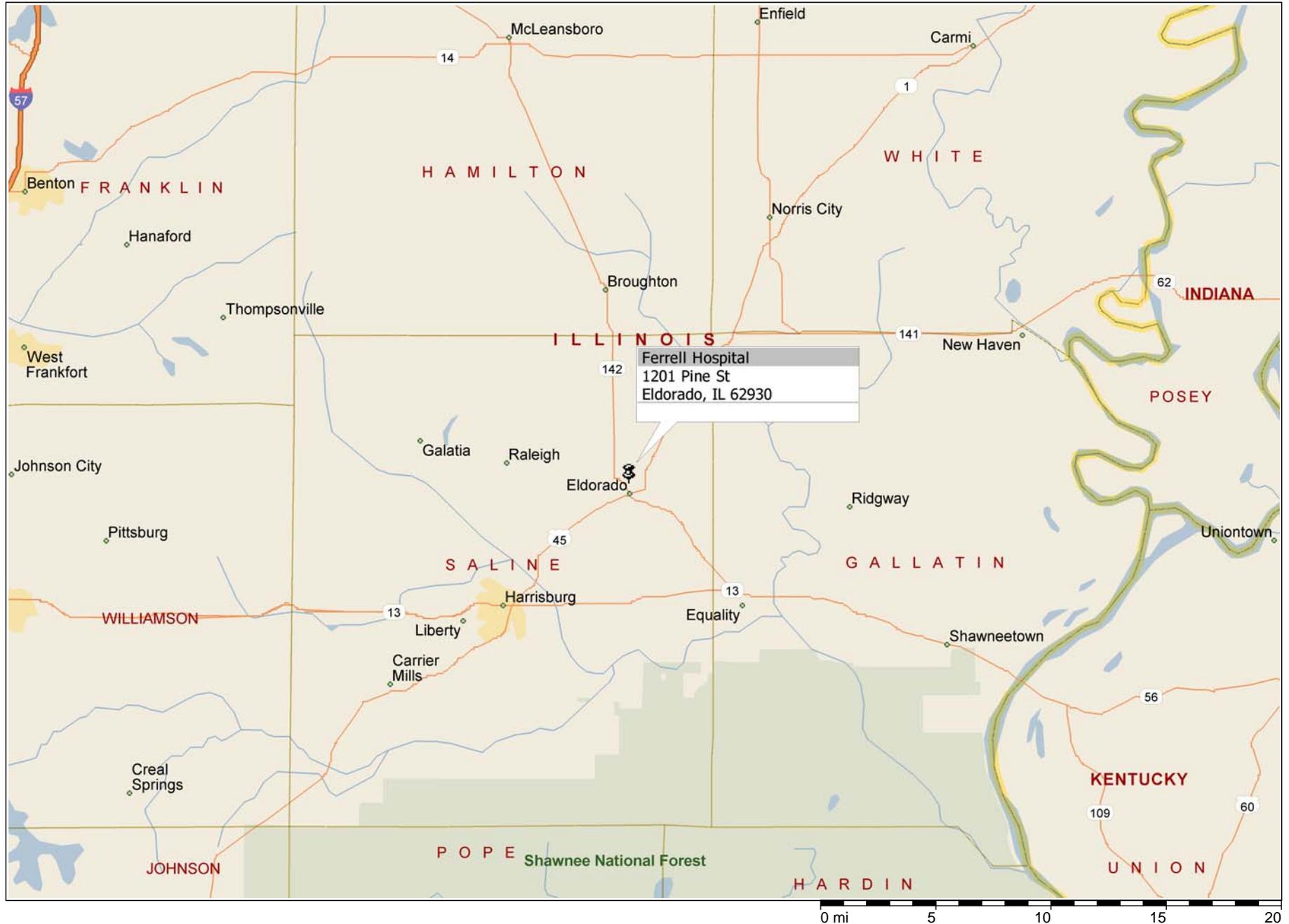
77 IAC 1130.740(c) states that the State Board must be in receipt of a permit renewal request at least 45 days prior to the expiration date of the completion period, and include the following: 1) the requested completion date; 2) a status report on the project detailing what percent has been completed and a summary of project components yet to be finished and the amount of funds expended on the project to date; 3) a statement as to the reasons why the project has not been completed; and 4) confirmatory evidence by the permit holders' authorized representative that the project's costs and scope are in compliance with what the State Board approved and that sufficient financial resources are available to complete the project.

77 IAC 1130.740(d) states the State Board staff will review the request and prepare a report of its findings. If the findings are that the request is in conformance with all HFSRB criteria, and if this is the first request for this project, then the request, staff's findings, and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFSRB, will approve, deny or refer the request to the HFSRB for action. If staff finds that all criteria are not positive or, if this is not the first request for this project, or if the Chairman refers this to HFSRB for action, then HFSRB will evaluate the information submitted to determine if the project has proceeded with due diligence (as defined in 77 IAC 1130.140). Denial of a permit renewal request constitutes HFSRB's Notice of Intent to revoke a permit and the permit holders will be afforded an opportunity for an administrative hearing.

VI. Other Information

Appended to this report are the following: the permit holders' documents for a permit renewal, the additional information requested by the State Board, and the March 2019 State Board Transcript.

16-048 Ferrell Hospital - Eldorado





Ferrell Hospital
DEACONESS ILLINOIS PARTNER

1201 Pine Street | Eldorado, Illinois 62930
Phone (618) 273-3361 | Fax (618) 273-2571

Permit Renewal Request
Ferrell Hospital Permit 16-048

February 8, 2019

Certified Mail
Return Receipt Requested

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Permit Renewal Request (Section 1130.740)
CON Project #16-048
Ferrell Hospital, Eldorado
Hospital Modernization and Expansion Project

Dear Ms. Avery,

Please accept this permit renewal request (Section 1130.740) for approved project #16-048.

On March 14, 2017, the IHFSRB approved the permit application for this project with a \$37,353,66.00 capitalized project cost.

The approved project completion date is March 31, 2019. However, construction on the majority of the project has been delayed due to securing the funds associated with the USDA loan approval which was not received until late August 2018 (attached). We are still waiting to receive the final USDA commitment letter which will enable us to sign the construction contract and proceed with the current construction schedule.

Our current construction schedule indicates construction finishing in late 2020. Hence, we respectfully request a 24 month permit renewal, until March 31, 2021, to allow for facility activation / move-in after construction is finished, as well as to complete the documentation to submit the final realized cost report (Section 1130.770) to the State Agency.

HEALTH FACILITIES &
SERVICES REVIEW BOARD

FEB 11 2019

RECEIVED

Ferrell Hospital
Draft Permit Renewal Project #16-048
February 8, 2019
Page 2 of 2

Our \$500.00 application processing fee is enclosed (Section 1130.230) Check #38215.

If you have any additional questions, please contact me at acoleman@ferrellhospital.org or by phone at 618-297-9615.

Respectfully submitted by:

A handwritten signature in black ink that reads "Alisa Coleman". The signature is written in a cursive, flowing style.

Alisa Coleman, CEO

Enclosure: USDA Loan Approval Letter

Cc: Mike Constantino, Supervisor, Project Review Section
Andrea Chleboun, Healthcare Futures
Ed McGrath, Healthcare Futures
Ed Parkhurst, PRISM Healthcare Consultin



United States Department of Agriculture

August 28, 2018

Ferrell Hospital Community Foundation
Attn: Alisa Coleman, CEO
1201 Pine Street
Eldorado, IL 62930

Dear Ms. Coleman,

I am pleased to inform you that your request for financial assistance from USDA Rural Development has been approved. You have been awarded a Community Facilities Loan in the amount \$34,260,000. The attached 1940-1 is documentation of this approval. Our Area Office is available to answer questions regarding your application.

Thank you for your interest in USDA Rural Development programs and for your work in improving the quality of life in rural Illinois.

Sincerely,

for Michael A. Wallace
Community Programs Director

Attachment

Cc: Area Director, Marion, IL
Area Specialist, Marion, IL

Rural Development • Illinois State Office
2118 West Park Court, Suite A, Champaign, IL 61821
Voice (217) 403-6200 • Fax (855) 832-8691 • TDD (217) 403-6240

USDA is an equal opportunity provider, employer, and lender.

FERRELL HOSPITAL COMMUNITY FOUNDATION
SUMMARY OF EXPANSION COST
THROUGH FEBRUARY 4, 2019

ADAMS GROUP	251,285.20
AMEREN ILLINOIS	133,673.53
BAKER PETERSON LLC	1,740.00
BARNES AND THORNBURG	66,899.79
BOSHEABA APPRAISAL	790.00
CHARLES LATHAM PRO RATE TAXES	(163.60)
CHERRY STREET PRINTING	363.00
CITY OF ELDORADO	69,338.81
CLIFTONLARSONALLEN	9,160.00
DAVID JOHNSON ARCHITECT	1,240,220.61
DEACONESS HOSPITAL	55,000.00
DOSTER CONSTRUCTION	40,000.00
EARNEST MONEY - LATHAM PROPERTY	1,000.00
EIDE BAILLY	86,323.48
FEVER RIVER	5,141.50
FRED MELTON	31,505.00
HEALTHCARE FUTURES	82,440.00
HOME LOAN INVESTMENT BANK	14,000.00
ILLINOIS DEPARTMENT OF PUB HEALTH	82,678.07
ILLINOIS FINANCE AUTHORITY	1,000.00
INNOVATIVE CAPITAL	125,219.60
INSPECTION FEE-LATHAM ACQ	175.00
KOTNER TITLE	300.00
KOTNER TITLE-LATHAM ACQ	36,620.60
LEGENCE BANK	133,955.32
NEIKIRK ENGINEERING	13,830.00
PROFESSIONAL SERVICES INC	5,470.00
PROVINCE CONSULTING	9,500.00
SALINE CO RECORDER	86.00
SALINE CO TREASURER	1,526.04
SOUTHERN ENGINEERING	4,350.00
SOUTHERN ILL LOCAL MEDIA GROUP	1,056.00
TELESCAN	2,615.60
TERRACON CONSULTANTS	21,485.00
WATSON AND MURPHY	899.15
WILLIAMS INSURANCE	7,500.00
WILLIFORD	42,630.33

2,579,614.03



February 7, 2019

Jennifer Gilbert, Vice President
Old National Bank
One Main Street
Evansville, IN 47708

Dear Mrs. Gilbert:

Reference is made to a request from the Ferrell Hospital Community Foundation, for interim financing from your bank to construct its hospital expansion and renovation at the interest rate and terms and conditions agreed upon, as reflected in the attached copy of your letter dated January 29, 2019. The maximum amount of the loan is \$34,260,000.

This letter is to confirm certain understandings on behalf of USDA, Rural Development.

Final plans and specifications have been prepared and approved, bids have been taken, and the board of directors is prepared to award the construction contract to the qualified low bidder. It has been determined by the applicant and Rural Development that the conditions of loan closing can be met.

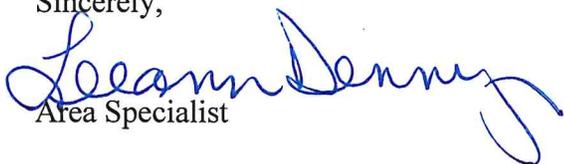
Funds have been obligated for the project by Rural Development.

It is proposed by Ferrell Hospital Community Foundation with the approval of Rural Development that the bank advance funds, in accordance with the agreed terms and conditions stated in the attached letter, as needed to pay for construction and other authorized and legally eligible expenses incurred by the Project, upon presentation of proper statements or work estimates approved by the Owner's authorized representative and the authorized official of Rural Development.

We will schedule the Rural Development loan to be closed when construction to be financed with loan funds is substantially complete, so that funds will be available to pay off the total amount of advances your bank has made for authorized approved purposes, including accrued interest to the date of closing.

We appreciate your assistance and look forward to working with you on this project. If you have any questions concerning this matter please contact me at (618) 993-5396, Extension 129.

Sincerely,


Area Specialist

cc: Area Director, Marion



OLD NATIONAL BANK

Your bank. For life.

January 29, 2019

Ms. Alisa Coleman
Ferrell Hospital Community Foundation
1201 Pine Street
Eldorado, IL 62930

RE: Commitment Letter

Dear Alisa:

Old National recognizes that Ferrell Hospital Community Foundation is in the process of rehabbing their 25-unit acute care facility located in Eldorado, Illinois. Old National is pleased to provide a commitment of financing for this project.

STEP-ONE FINANCING – TAXABLE RATE LOAN

BORROWER: Ferrell Hospital Community Foundation

PURPOSE: A construction line of credit for rehabbing and new construction of an acute care facility located in Eldorado, Illinois.

LOAN AMOUNT: Loan amount up to \$34,260,000.

LOAN TYPE: Draw note up to 24 months. After 24 months the loan will be paid in full from a USDA Direct Loan.

MATURITY: Up to 24 months

INTEREST RATE – FIXED RATE: 4.75% Fixed (Based on a 2-year SWAP + 2.04%)

PAYMENTS: Monthly interest payments

COMMITMENT FEE: .10%

Additional fees could include, but not be limited to, appraisal, title work, survey, environmental, mortgage recording/release, inspections, outside legal fees, and other costs reasonable to the consummation of this Loan.

Old National intends to rely on the USDA and the Borrower's monitoring of the project. As such, we will not be ordering separate inspection reports, escrowing the draw proceeds, or requiring date down endorsements. We will rely on the USDA and if it is deemed necessary to order a separate inspection, we will not charge Ferrell for that cost.

SECURITY: Real Estate Mortgage on the subject parcel(s) and all improvements of the acute care facility in Eldorado, Illinois. A blanket lien on business assets. Assignment of Architect and Construction Contract(s).

FUNDING: Copies of draw requests are required. Draw request to include a list of invoices, copies of all invoices (over \$5,000), a summary of funds requested/drawn from each grant source, and copies of the G702/703 including lien waiver by an authorized signor for the general contractor.

MONITORING: The construction of the Project shall be monitored by Old National Bank in accordance

with its standards for commercial real estate construction and management. Upon completion of construction, a satisfactory inspection must reflect that the work is compliant with the original plans and specifications (except as approved by appropriate change orders).

Requirements for Note

Reporting and Financial Covenants:

1. **Budget Detail Requirement** - Prior to Lender causing any Advance, Borrower shall furnish Lender with a final certified construction budget for the Project (approval of which is at the Lender's sole discretion), which completely and accurately identifies and itemizes (in line-item form) all development, construction, financing, contingency, and all other direct and indirect costs of construction in accordance with the Plans and Specifications, and is certified by Borrower as accurate and complete.

As applicable, Borrower shall also provide to Lender a certificate of reimbursable prepaid development and other costs, and a detailed schedule showing the sources and application of Borrower's cash equity related to the Project and that the Loan proceeds, coupled with such equity, will be sufficient to pay for all costs associated in any way with the Project.

2. **Loan Advance Request Frequencies** - Acknowledge and consent that requests for Advances may be submitted by Borrower no more frequently than every 30 days.
3. **Reappraisal Provision** - Permit Lender to obtain a new appraisal of the Project, at Borrower's cost, performed by an appraiser chosen and engaged by Lender if (A) construction of the Project has been stopped for more than (45) days; (B) the Project is behind schedule with regard to completion; or (C) the Project construction has been modified from the Plans and Specifications approved by the Lender and Lender, in its sole discretion, determines that there is sufficient cause to believe in good faith that the Project's value may have been adversely impacted. Should Lender so determine and engage an appraiser, Borrower shall cooperate with and assist appraiser in all matters requested in order to enable appraiser to fully and accurately complete the appraisal. Should Lender, in good faith and based upon the reappraisal, determine that the outstanding principal balance of the Loan is in excess of that allowed under the Loan Advance Restriction Covenant, the Borrower shall, upon the request of Lender, reduce the outstanding principal balance of the Loan to a balance that would be compliant with said Loan Advance Restriction Covenant. Reduction of the outstanding principal balance shall be made by repayment in cash or, if Lender in its sole discretion allows, Borrower may provide additional security in amount, form and substance as shall be deemed acceptable to Lender in order to bring the Loan into compliance with the Loan Advance Restriction Covenant.*

*If a reappraisal is deemed necessary the Bank will not charge Ferrill for that cost.

4. **Inspection Covenant** - Permit Lender to hire, at Borrower's expense, an independent inspector of Lender's choosing to consult with Lender and perform such inspections, certifications, examinations, and other duties as Lender shall direct. Borrower shall cooperate with said inspector and provide all such information as inspector deems necessary to perform such actions. As substitution for an independent inspection, the Bank will allow a third-party reviewer of the borrower's choosing so long as said reviewer is under contract to provide reports to the Bank with the same level of review and reliance that the Bank would receive from a fully independent inspector.*

*Old National intends to rely upon the USDA for monitoring of construction process and compliance with conditions precedent to each advance. Such reliance will not act as a waiver of Lender's rights to monitor construction and approve advances.

5. **Borrower Annual Audited Financials with Quarterly Interims** - As soon as available, but in any event not later than (120) days after the end of each fiscal year of the Borrower, Borrower's

audited balance sheet and audited statements of income, accumulated earnings, and cash flows for such year, setting forth in each case in comparative form the figures for the previous year, prepared by an independent certified public accountant satisfactory to Lender. In addition, as soon as available, but in any event not later than (30) days after the end of each fiscal quarter, Borrower's balance sheet and statements of income, accumulated earnings, and cash flows for the respective fiscal quarter and year-to-date periods, all prepared in accordance with GAAP, setting forth in each case in comparative form the figures for the previous year's respective fiscal quarter and year-to-date periods and certified by an officer of Borrower as being true and correct. Lender, in its sole discretion, reserves the ability to change the required times and frequencies of submissions of financial statements by Borrower. In addition to any other financial reporting requirements of Borrower to Lender, Borrower agrees to furnish to Lender, at times and frequencies determined appropriate by Lender in its sole discretion from time to time, Federal and State income tax returns, borrowing base certificates, agings of receivables and payables, inventory schedules, budgets, forecasts, and other reports with respect to Borrower's financial condition and business operations.

Closing is Subject To:

1. Receipt and review of the USDA requirements for the construction take-out (commitment letter);
2. Receipt of General Contract, and any Primary Sub-Contractor Construction Contracts;
3. A provider list to include all primary contractors and service providers shall accompany the signed Construction Contract;
4. Final review and approval of plans and specifications;
5. Receipt, review, and an assignment of the payment and performance bond (ONB will be co-obligor on the Bond);
6. Receipt and review of the final project budget for all costs and allowances necessary for project completion (budget on the AIA-G703);
7. Receipt and review of all insurance certificates. We specifically need to know who will handle the builder's risk insurance;
8. Permits are not required by the city. However, we need the Project Architect to provide a closing certificate that the plans and specs meet the requirements of the applicable regulatory requirements;
9. Receipt and review of the construction schedule. The construction schedule shall include all start, finish, and critical bench mark dates;
10. Resolution passed by the Board of Directors of Ferrell Hospital approving the closing of the taxable loan and the designated signer for the loan documents. They should also mention that their intention is to refinance that loan with a tax-exempt bond in 2019; and
11. Interest rate pricing is subject to fluctuation until loan closing. Interest is charged based on the amount drawn, at any point in time, and not based on the full commitment.

Assignments and Participations:

12. Lender may grant assignments to participants to any commercial bank or other acceptable financial institution of all or any portion of the Loan.

Confidentiality:

13. The terms contained herein are Confidential, and except for disclosure as necessary to your executives, officers and employees, to professional advisors retained by you in connection with this transaction, and/or as may be required by law, the terms hereof shall not be disclosed in whole or in part to any other person or entity without the prior written consent of Lender.

Termination of Commitment:

Bank shall not be obligated to make the Loan if:

14. There is occurrence of an adverse change subsequent to the date of this commitment deemed by the Bank to be material or substantial in the assets, net worth, financial condition, business prospects or credit standing of the Borrower;
15. There is an adverse change subsequent to the date of this commitment deemed by the Bank to be material or substantial in the value of any of the items, which secure or are to secure this Loan;
16. There is a filing by or against Borrower, or any petition of bankruptcy or insolvency, or for the reorganization of Borrower, or appointment of a receiver or trustee or the making of an assignment for the benefit of creditors;
17. There is a filing of any mechanic's lien against the Property or a filing of any judgment against Borrower; and
18. Any fees or expenses to be paid by Borrower are not paid at the times specified.

Expiration of Commitment:

If this loan transaction does not close by March 15, 2019, for any reason, this loan commitment shall expire and become null, void, and of no effect without further notice; provided, that the Borrower's obligation to reimburse Old National for any expenses incurred prior to such expiration shall continue and shall become immediately due and payable.

STEP TWO – TAX-EXEMPT BOND FINANCING

It is the Bank's understanding that Ferrell Hospital wants to pay-off the taxable loan ("refinance") with a non-bank qualified tax-exempt bond in early 2019. The "refinance" is subject to the completing the necessary steps to meet the Illinois Finance Authority's requirements to issue the bond.

Illinois Finance Authority Economic Development Revenue Bonds, 2019
Issued by Illinois Finance Authority ("Issuer")
For the Benefit of Ferrell Hospital Community Foundation ("Obligor")

OBLIGOR: Ferrell Hospital Community Foundation

LOAN AMOUNT: Loan amount up to \$34,260,000.

LOAN TYPE: Draw note up to 24 months. After 24 months the loan will be paid in full from a USDA Direct Loan.

MATURITY: Up to 24 months

INTEREST RATE – TAX-EXEMPT FIXED RATE: The non-bank qualified tax-exempt interest rate is to

be determined by the following formula 79% (2 year USD Swap Rate)+ 1.74%. Currently, this rate is 3.88%.

PAYMENTS: Monthly interest payments

COMMITMENT FEE: All Bond closing costs as required by the Bank, including but not limited to attorneys' fees (both Bank and Bond counsel) and costs, environmental, appraisal, inspections, title work, survey, outside legal fees, mortgage recording/release, inspections, and other costs reasonable to the consummation of this Loan.

An estimation of the fees as it relates to the bond program are provided below:

1. IFA Application, Closing, and Counsel Fee - \$28,000 (Estimated)
2. Bank/Bond Counsel - \$50,000 (Estimated)
3. Loan Fee - \$34,260*

*The loan fee will only be charged once. If we do the two-step financing, we will only charge it on the taxable loan.

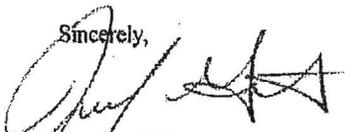
TAXABILITY: In the event interest income on the Bond becomes subject to Federal income taxes to the Bank (by actions of the Federal Reserve, any governmental agency, the IRS or the Obligor), the Obligor will be responsible to reimburse the Bank in an amount sufficient to restore the Bank's after-tax yield on the bond to the original tax exempt yield plus pay any interest and penalties imposed on the Bank as a result of this transaction.

This commitment letter is not meant to be, nor shall it be construed as an attempt to define all of the terms and conditions involved in the documentation of this loan. Rather it is intended only to outline certain basic points of business understanding around which the legal documentation is to be structured. Further negotiation within the scope of these major terms shall not be precluded by the issuance of this commitment letter and its acceptance by the Borrower. No statements, agreements, or representations, oral or written, which may have been made to you or to any employee or agent of yours, either by Bank or by employee, agent or broker acting on your behalf, with respect to this Loan, shall be of any force or effect, except to the extent stated in this commitment letter.

Please indicate your acceptance of this commitment by signing and returning a copy of this letter to the Bank.

We are pleased to be able to offer this accommodation to you, and I invite you to contact me should you have any questions.

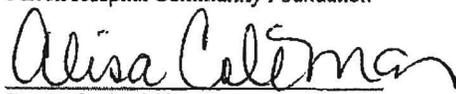
Sincerely,



Jennifer Gilbert
Vice President

Accepted and agreed to this 1 day of February, 2019.

Ferrell Hospital Community Foundation



Alisa Coleman
Its: Authorized Signer



Ferrell Hospital
DEACONESS ILLINOIS PARTNER

1201 Pine Street | Eldorado, Illinois 62930
Financial Commitment / Obligation Notice
Phone (618) 279-3364 | Fax (618) 279-2571

March 13, 2019

Via overnight mail with return receipt requested

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

RECEIVED

MAR 14 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re: Financial Commitment / Obligation Notice (Section 1130.720)
CON Project #16-048
Ferrell Hospital, Eldorado
Hospital Modernization and Expansion Project

Dear Ms. Avery,

Please accept this financial commitment / obligation notification letter (Section 1130.720) for IHFSRB Project #16-048 as is required for permit compliance.

As of March 13, 2019, Ferrell Hospital entered into a construction contract with Doster Construction approximating \$20,000,000 for the Hospital Modernization and Expansion Project. This agreement, in addition to already expended capitalized project funds denoted in the First Annual Progress Report, amounts to approximately \$22M. This amount is approximately 60% of the \$37,353,666 CON permit capitalized project cost as approved on March 14, 2017.

If you have any additional questions, please contact me at acoleman@ferrellhospital.org or by phone at 618-297-9615.

Respectfully submitted by:

Alisa Coleman, CEO

Cc: Mike Constantino, Supervisor, Project Review Section
Dan Lawler, Barnes & Thornburg
Andrea Chleboun, Healthcare Futures
Ed McGrath, Healthcare Futures
Ed Parkhurst, PRISM Healthcare Consulting



Ferrell Hospital

DEACONESS ILLINOIS PARTNER

1201 Pine Street | Eldorado, Illinois 62930

Phone (618) 273-3361 | Fax (618) 273-2571

April 2, 2019

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

Via overnight delivery, return receipt requested

Re: IHFSRB Requested Supplemental Information
CON Permit #16-048
Ferrell Hospital, Eldorado
Modernization and Expansion Project
Permit Renewal Request (2/11/2019)
Review Board Deferral to April 30, 2019

RECEIVED

APR 3 2019

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Dear Ms. Avery,

This letter provides supplemental information as requested by the Review Board pertaining to the financing plan and interest rates associated with our approved Project. This information was requested by the Board for them to better understand the Project's financing phases, over its duration, with respect to the requested permit renewal.

Our 24-month Permit Renewal request was filed with the Illinois Health Facilities and Services Review Board (Review Board) on February 11, 2019 due to the delay in securing a funding commitment associated with the USDA Community Facilities Program Loan approval. The subsequent USDA approval letter, dated August 28, 2018, is currently on file with the State Agency. In that the USDA Loan Program does not ordinarily provide construction loans, but does serve as a Permanent Lender, Ferrell is required to secure interim / construction financing prior to the permanent USDA financing on the approved project. Hence, the Project financing is phased over its duration.

Preliminary financing documentation is on file with the Review Board and was also included in the Board Staff Report (SBR) Permit Renewal Request which was prepared for the

Ferrell Hospital
April 2, 2019
Page 1 of 7

March 5, 2019 Review Board meeting. The Board deferred the Permit Renewal Request until its April 30, 2019 scheduled meeting and requested Ferrell Hospital to work with Board Staff to clarify the financing structure.

The Review Board's Staff requested the following to clarify our financing structure and related interest rates:

- Delineate the phased financing structure
- Provide interest rates for each financing phase
- Provide the average financing intent interest rate for the projects duration / lifetime (approximately 37-months)
- Provide the amortization schedule for each financing phase
- Provide, as available, comparative financing interest rates

By way of background, we have diligently pursued project implementation, and have, to date,

- Received Plan approval from IDPH and bid the construction cost
- Received USDA permanent financing commitment
- Initiated Initial Construction (latter part of 2018)
- Financially committed or obligated the approved project (3/14/2019)
- Finalized the project financing structure after the March 5, 2019 Review Board meeting when the Project was deferred until April 30, 2019 pending clarification on the financing structure

In response to the Review Board request to clarify the phased Project financing (interim / construction financing and permanent financing), as well as through discussions with State Agency Legal Counsel and Staff, our financial advisors, InnoVative Capital, LLC, provided the following detail based on our recently completed financing structure:

<u>Financing Phase / Plan</u>	<u>Source</u>	<u>Type</u>	<u>Amount</u>	<u>Duration</u>	<u>Interest Rate</u>
<u>Interim / construction financing</u>					
a. Initial	ONB*	Taxable	\$1.0M	24 month	4.75%
b. Interim / construction	ONB*	Tax-exempt	\$33.26 M	24 month	3.88%
c. Average interest rate	--	--	--	--	3.91%
<u>Permanent financing</u>	USDA **	Tax-exempt	\$33.26 M	35 years	3.875%

* Old National Bank (ONB)

** USDA Community Facilities Direct Loan

The calculated average interest rate over the projects 37-year duration is 3.876% and attached are the Board requested amortization schedules. This interest rate compares favorably with other recent hospital capital projects that we have been able to identify. Comparative Rates are as follows¹:

<u>Project</u>	<u>Location</u>	<u>Amount Financed</u>	<u>Duration</u>	<u>Average Interest Rate</u>
Hospital A	Ohio	\$41.1M	27 years	5.98%
Hospital B	Florida	\$100.0M	31 years	4.46%
Hospital C	Kansas	\$93.0M	27 years	3.88%

¹ Source: Hospital Official Statements.

Based on the information herein, we believe the phased financing structure is the lowest cost of capital available for our Project and trust it provides clarity in response to the State Agency request. We look forward to securing a Permit Renewal as previously requested and fulfilling the Project's approved scope.

Please let me know if you have any questions or require additional information, I can be contacted at 618-273-3361 ext. 150 or by e-mail at acoleman@ferrellhosp.org.

Sincerely,



Alisa Coleman
Chief Executive Officer
Ferrell Hospital

Attached: Amortization Schedules

CC: Jeanne Mitchell, Review Board Legal Counsel
Mike Constantino, Supervisor, Project Review Section
Dan Lawler
Ed McGrath
Andrea Coleman
Ed Parkhurst

**Ferrell Hospital Community Foundation
 Commercial Taxable Bank Loan
 Capitalized Interest Draw Schedule**

Month	Capitalized Interest	Commercial Loan Balance
Mar-19	\$ -	\$800,000
Apr-19	3,167	803,167
May-19	3,179	806,346
Jun-19	3,192	809,538
Jul-19	3,204	812,742
Aug-19	3,217	815,959
Sep-19	3,230	819,189
Oct-19	3,243	822,432
Nov-19	3,255	825,687
Dec-19	3,268	828,955
Jan-20	3,281	832,237
Feb-20	3,294	835,531
Mar-20	3,307	838,838
Apr-20	3,320	842,159
May-20	3,334	845,492
Jun-20	3,347	848,839
Jul-20	3,360	852,199
Aug-20	3,373	855,572
Sep-20	3,387	858,959
Oct-20	3,400	862,359
Nov-20	3,414	865,772
Dec-20	3,427	869,199
Jan-21	3,441	872,640
Feb-21	3,454	876,094
Mar-21	3,468	1,000,000

**Ferrell Hospital Community Foundation
 Tax Exempt Bond Financing
 Capitalized Interest Draw Schedule**

Month	Capitalized Interest	Tax Exempt Bonds Balance
Mar-19	\$ -	\$3,258,822
Apr-19	10,537	3,769,359
May-19	12,188	4,805,801
Jun-19	15,539	5,895,594
Jul-19	19,062	7,088,911
Aug-19	22,921	8,386,086
Sep-19	27,115	9,687,455
Oct-19	31,323	11,243,032
Nov-19	36,352	12,803,639
Dec-19	41,398	14,219,292
Jan-20	45,976	15,525,268
Feb-20	50,198	16,715,466
Mar-20	54,047	17,689,513
Apr-20	57,131	18,506,644
May-20	59,838	19,391,482
Jun-20	62,699	21,344,181
Jul-20	69,013	23,142,599
Aug-20	74,828	25,471,681
Sep-20	82,358	26,858,294
Oct-20	88,842	28,719,390
Nov-20	92,859	30,533,608
Dec-20	98,725	32,328,693
Jan-21	104,529	33,145,922
Feb-21	106,822	33,252,744
Mar-21	107,256	33,360,000

Ferrell Hospital Community Foundation					
USDA Community Facilities Direct Loan					
Amortization Schedule					
USDA CF Direct Loan Amount	34,260,000				
Interest Rate	3.875%				
Term (Years)	35				
Year	Beginning Balance	Interest	Principal	Loan Ending Balance	Total Debt Service
1	\$34,260,000	\$1,319,280	\$470,360	\$33,789,640	\$1,789,640
2	\$33,789,640	\$1,300,726	\$488,914	\$33,300,726	\$1,789,640
3	\$33,300,726	\$1,281,440	\$508,199	\$32,792,527	\$1,789,640
4	\$32,792,527	\$1,261,394	\$528,245	\$32,264,282	\$1,789,640
5	\$32,264,282	\$1,240,557	\$549,082	\$31,715,199	\$1,789,640
6	\$31,715,199	\$1,218,898	\$570,741	\$31,144,458	\$1,789,640
7	\$31,144,458	\$1,196,385	\$593,255	\$30,551,203	\$1,789,640
8	\$30,551,203	\$1,172,984	\$616,656	\$29,934,547	\$1,789,640
9	\$29,934,547	\$1,148,659	\$640,980	\$29,293,567	\$1,789,640
10	\$29,293,567	\$1,123,375	\$666,264	\$28,627,303	\$1,789,640
11	\$28,627,303	\$1,097,094	\$692,546	\$27,934,757	\$1,789,640
12	\$27,934,757	\$1,069,776	\$719,863	\$27,214,894	\$1,789,640
13	\$27,214,894	\$1,041,381	\$748,259	\$26,466,635	\$1,789,640
14	\$26,466,635	\$1,011,865	\$777,775	\$25,688,860	\$1,789,640
15	\$25,688,860	\$981,185	\$808,454	\$24,880,406	\$1,789,640
16	\$24,880,406	\$949,295	\$840,344	\$24,040,061	\$1,789,640
17	\$24,040,061	\$916,147	\$873,492	\$23,166,569	\$1,789,640
18	\$23,166,569	\$881,692	\$907,948	\$22,258,621	\$1,789,640
19	\$22,258,621	\$845,677	\$943,763	\$21,314,858	\$1,789,640
20	\$21,314,858	\$808,650	\$980,990	\$20,333,869	\$1,789,640
21	\$20,333,869	\$769,954	\$1,019,686	\$19,314,183	\$1,789,640
22	\$19,314,183	\$729,732	\$1,059,906	\$18,254,275	\$1,789,640
23	\$18,254,275	\$687,923	\$1,101,717	\$17,152,558	\$1,789,640
24	\$17,152,558	\$644,485	\$1,145,175	\$16,007,384	\$1,789,640
25	\$16,007,384	\$599,293	\$1,190,347	\$14,817,037	\$1,789,640
26	\$14,817,037	\$552,339	\$1,237,301	\$13,579,736	\$1,789,640
27	\$13,579,736	\$503,533	\$1,286,107	\$12,293,629	\$1,789,640
28	\$12,293,629	\$452,801	\$1,336,838	\$10,956,791	\$1,789,640
29	\$10,956,791	\$400,089	\$1,389,571	\$9,567,220	\$1,789,640
30	\$9,567,220	\$345,256	\$1,444,383	\$8,122,836	\$1,789,640
31	\$8,122,836	\$288,281	\$1,501,358	\$6,621,478	\$1,789,640
32	\$6,621,478	\$229,059	\$1,560,580	\$5,060,898	\$1,789,640
33	\$5,060,898	\$167,501	\$1,622,138	\$3,438,760	\$1,789,640
34	\$3,438,760	\$103,516	\$1,686,125	\$1,752,635	\$1,789,640
35	\$1,752,635	\$37,005	\$1,752,635	\$0	\$1,789,640

1 CHAIRMAN SEWELL: Okay. Next is A-07,
2 Project No. 16-048, Ferrell Hospital.

3 May I have a motion to approve a 24-month
4 permit renewal for this project in Eldorado.

5 MEMBER MURPHY: Motion.

6 MEMBER DEMUZIO: Second.

7 CHAIRMAN SEWELL: Is there -- all right.
8 And you've already been sworn in.

9 State agency report.

10 MR. CONSTANTINO: Thank you, sir.

11 In March of 2017 the State Board approved
12 Permit No. 16-048. The permit authorized the
13 modernization and expansion of Ferrell Hospital in
14 Eldorado.

15 The project is not obligated, and the
16 current project completion date is March 31st,
17 2019. The project cost is \$37.4 million. This is
18 the first permit renewal request for this project.
19 There was no public hearing, no opposition. The
20 delay is the result of delay in financing for the
21 project.

22 Thank you, sir.

23 CHAIRMAN SEWELL: For the record, could
24 you state your name.

1 MR. PARKHURST: Ed Parkhurst, CON
2 consultant.

3 CHAIRMAN SEWELL: Do you have a statement
4 for the Board?

5 MR. PARKHURST: Just to add to what
6 Mr. Constantino said, this is a USDA-financed
7 project. The USDA committed to it in a letter
8 that's on file last August, as I recall.

9 USDA does not do construction financing.
10 The hospital is in the process of finalizing
11 construction financing. All that documentation
12 has been submitted, and I believe it's part of
13 your staff report.

14 The second annual report is in process
15 right now. There have been about 6.5 percent of
16 the approved amount that has been expended. The
17 expenditures have gone for some underground
18 construction, infrastructure, and so forth. The
19 project is proceeding and it's just a matter of
20 finalizing the financing for the construction.

21 CHAIRMAN SEWELL: Do Board members have
22 questions or comments?

23 MEMBER MC GLASSON: Yes, I do.

24 CHAIRMAN SEWELL: Yes.

1 MEMBER MC GLASSON: I'm looking at the
2 letter from Old National Bank. It indicates that
3 the interest rate is 4.75 percent plus -- based on
4 a two-year swap -- plus 2.04, which I don't really
5 understand, but I know I added a bathroom to my
6 house and my interest rate was 3.25 without a
7 Federal government guarantee.

8 Isn't that an extremely high interest rate
9 and won't that jeopardize the project?

10 MR. PARKHURST: There are two steps to the
11 financing if you take a look at the paperwork.

12 The first step is actually a taxable
13 financing in order to begin the construction, and
14 that taxable financing is going to be taken out by
15 the Illinois Financing Authority, which is a
16 tax-exempt financing, which is a lower interest
17 rate.

18 So the average interest rate is going to
19 be less than what you just stated, and that's for
20 a very short period of time, and the hospital
21 believes that that financing will be done probably
22 in the next two or three months. And then it will
23 revert, then, to the Illinois Finance Authority, a
24 lower interest rate, and then, when the project is

1 complete, those both will be taken out by the
2 financing from the USDA.

3 So it's a complicated financing
4 arrangement.

5 MEMBER MC GLASSON: Is that the norm? Or
6 does that indicate something about this project?

7 MR. PARKHURST: I can't comment on whether
8 it's the norm or not, but I do know that the
9 hospital is doing it the lowest possible financing
10 rate possible.

11 And the other comment I'd make is we are
12 staying below the actual approved project costs
13 through this entire transaction.

14 CHAIRMAN SEWELL: Yes, sir.

15 MEMBER MC NEIL: So from what I'm
16 gathering, you're staging the financing. The
17 highest risk is up-front to make sure it goes,
18 and then at the back end, when the buildings are
19 complete and everything's done, then USDA comes in?

20 MR. PARKHURST: That is correct.

21 MEMBER MC NEIL: So it's really staging
22 and maybe not even for a full year on some of the
23 percentages --

24 MR. PARKHURST: Correct.

1 MEMBER MC NEIL: -- and that kind of
2 thing?

3 MR. PARKHURST: Correct.

4 CHAIRMAN SEWELL: All right. Thank you.
5 Roll call.

6 MR. ROATE: Thank you, sir.

7 Motion made by Ms. Murphy; seconded by
8 Senator Demuzio.

9 Senator Demuzio.

10 MEMBER DEMUZIO: Yes, based upon the
11 report.

12 MR. ROATE: Thank you.

13 Mr. McGlasson.

14 MEMBER MC GLASSON: No, based on the
15 concerns about financing.

16 MR. ROATE: Thank you.

17 Dr. McNeil.

18 MEMBER MC NEIL: Yes, based on the report
19 and the testimony.

20 MR. ROATE: Thank you.

21 Ms. Murphy.

22 MEMBER MURPHY: Yes, based on the report.

23 MR. ROATE: Thank you.

24 Chairman Sewell.

1 CHAIRMAN SEWELL: I vote yes, based on the
2 State agency report.

3 MR. ROATE: Thank you.

4 That's 4 votes in the affirmative, 1 in
5 the negative.

6 MR. PARKHURST: Excuse me. Then what does
7 that mean relative to the project?

8 CHAIRMAN SEWELL: Excuse me one second.
9 We have to confer with counsel.

10 (An off-the-record discussion was held.)

11 CHAIRMAN SEWELL: So what --

12 MS. MITCHELL: So to answer the
13 question --

14 CHAIRMAN SEWELL: Yeah.

15 What has been declined is the March 31st,
16 2021, completion date.

17 So that means that, if the original
18 project that's been approved for completion on
19 March 31st, 2019 -- if it's not completed by the
20 end of March, this month, then it will require
21 another application. That's the interpretation of
22 the vote. It was a failure to approve the
23 24-month renewal request.

24 MR. PARKHURST: Well, the project has

1 started construction --

2 CHAIRMAN SEWELL: I understand that.

3 MR. PARKHURST: -- and it could be
4 obligated before the date that you just stated --

5 CHAIRMAN SEWELL: Before the March 21st,
6 2019?

7 MR. PARKHURST: -- but it would not be
8 complete because the major construction has not
9 started.

10 The infrastructure has started, in terms
11 of the sewers and underground, electrical, and the
12 really -- the site preparation for the project
13 itself, for the major construction. The project
14 has been bid, but the contracts have not been
15 signed, waiting for the finalization of the
16 interim financing, which is -- again -- is on file
17 with the agency and I think is part of the staff
18 report.

19 CHAIRMAN SEWELL: Would the maker of the
20 motion agree to defer this project until the
21 April meeting of this Board?

22 Who made the motion?

23 MS. AVERY: Who made the motion?

24 MR. ROATE: Motion made by Ms. Murphy.

1 MEMBER MURPHY: Yes.

2 CHAIRMAN SEWELL: You would agree with
3 that?

4 MEMBER MURPHY: Sure.

5 CHAIRMAN SEWELL: But we still have to
6 vote on that, don't we?

7 MS. MITCHELL: Yes.

8 MS. AVERY: It keeps it in play.

9 CHAIRMAN SEWELL: All right. So the maker
10 of the motion agrees to defer this project to the
11 April 2019 meeting of the Board.

12 Is there a second?

13 MEMBER DEMUZIO: Second.

14 CHAIRMAN SEWELL: Could you call the roll
15 on the deferral?

16 MR. ROATE: Thank you, sir.

17 Senator Demuzio.

18 MEMBER DEMUZIO: Yes, I agree to have it
19 go to April.

20 MR. ROATE: Mr. McGlasson.

21 MEMBER MC GLASSON: Yes.

22 MR. ROATE: Mr. McNeil.

23 MEMBER MC NEIL: Yes.

24 MR. ROATE: Dr. McNeil. I apologize.

1 Ms. Murphy.

2 MEMBER MURPHY: Yes.

3 MR. ROATE: Chairman Sewell.

4 CHAIRMAN SEWELL: I vote yes.

5 MR. ROATE: 5 votes in the affirmative for
6 the deferral.

7 CHAIRMAN SEWELL: So this project is
8 deferred until the April meeting --

9 MR. PARKHURST: Deferred to April?

10 CHAIRMAN SEWELL: Yes.

11 -- of the Board.

12 MR. PARKHURST: Thank you.

13 CHAIRMAN SEWELL: All right.

14 There are no --

15 MR. PARKHURST: Just one other question,
16 Mr. Chairman: What can the Applicant do to provide
17 additional information to better understanding the
18 necessity of the staged financing?

19 CHAIRMAN SEWELL: Why don't you have a
20 conversation with staff about that.

21 MR. PARKHURST: Okay.

22 CHAIRMAN SEWELL: Yeah.

23 MR. PARKHURST: Thank you.

24 - - -