



Ferrell Hospital

DEACONESS ILLINOIS PARTNER

1201 Pine Street | Eldorado, Illinois 62930

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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

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**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 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