

July 8, 2014

TO: William A. Brandt, Jr., Chairman
Gila J. Bronner
James J. Fuentes
Norman M. Gold
Lerry Knox
Edward H. Leonard, Sr.
Carmen Lonstein
Terrence M. O'Brien

Michael W. Goetz, Vice-Chairman
Heather D. Parish
Mayor Barrett F. Pedersen
Roger Poole
Mordecai Tessler
David Vaught
Bradley A. Zeller

RE: Message from the Executive Director

Dear Members of the Authority:

At the beginning of a new fiscal year, it is important that we take time to reflect on our collective accomplishments:

- ***Governor Quinn's Clean Water Initiative.*** In partnership with the Illinois Environmental Protection Agency (IEPA), the Authority closed on the first Illinois State Revolving Fund (SRF) transaction in nearly a decade on December 5, 2013. The Illinois Finance Authority's State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2013 are rated "AAA" by S&P and Fitch. IEPA and the Authority issued just over \$140 million in bonds. As a result, the loan capacity for Governor Quinn's Clean Water Initiative nearly doubled to just under \$800 million. This was an important step to meeting Governor Quinn's goal of providing \$2 billion of low-interest loans for qualifying sewer and water infrastructure projects to Illinois local governments. The Clean Water Initiative saves local taxpayers money through lower interest costs, puts women and men to work building sewer and water infrastructure, and helps preserve one of our State's most important and competitive assets – affordable access to clean, safe drinking water. The Program's low 1.995% interest rate will be available through September 30, 2014. Ongoing rates each year are substantially below bond market rates to induce some of our state's highest rated local governments to borrow under the Clean Water Initiative. Interested Illinois local governments should go to www.cleanwater.illinois.gov.
- ***City of East St. Louis Bond Defeasance.*** In November 2013, the Authority assisted the City of East St. Louis with the defeasance of the last of its "Distressed Cities" moral obligation (State taxpayer contingent guarantee bonds). This action removed nearly \$4 million in risk from the State taxpayers – and led to the elimination, by operation of law, of a now unnecessary State taxpayer-supported agency.
- ***Elimination of State Moral Obligation for the Authority's Local Government Program.*** On June 30, 2014, the Authority redeemed/defeased nearly \$33 million of Authority Rural Bond Bank bonds backed by the State's moral obligation (State taxpayer contingent guarantee

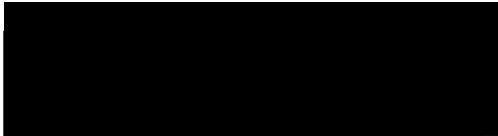
bonds). The action removes nearly \$33 million in risk to the Illinois taxpayers and sets the stage for the Authority to revise its local government loan programs in a modern, efficient manner.

- ***Reliable, Transparent Issuer for Federally Tax-Exempt Conduit Bonds.*** Being a conduit issuer for qualifying borrowings is the primary business of the Authority. Authority borrowers know that they have a professional, efficient staff supervised by an engaged, knowledgeable, and transparent Board when they need to access the federally tax-exempt capital markets. In Fiscal Year 2014, the Authority issued just over \$2 billion in bonds with approximately \$1.6 billion being issued in the non-profit healthcare/senior living sector and nearly \$500 million being issued in the general non-profit, education, local government, industry and agricultural sectors.

At the end of the day, the measure of the Authority's success is how we use the tools given to us by the Governor and the General Assembly to measurably and positively improve the lives of the people of this State. Thanks to Chairman Brandt, as well as Loyola University of Chicago's Stritch School of Medicine's initiative and partnership with the Authority, Illinois now has a pilot program to allow talented students with immigration status regularized through the federal DACA program (Deferred Action for Childhood Arrivals) to afford medical or dental school in exchange for providing public service in medically underserved communities across our State after graduation. We hope that this pilot program will be the start of something larger. This program is a thoughtful model to attract the best talent from around the globe to Illinois while helping to meet the medical and dental needs of the least fortunate among us. Nine qualified DACA students are now beginning medical studies because of work that the Authority began twelve short months ago.

In Fiscal Year 2015, I look forward to continuing to work with you in support of jobs and financing capital expansion projects throughout Illinois.

Respectfully,



Christopher B. Meister
Executive Director

Attachments:

- Attachment 1 – Bonds Issued – Fiscal Year Comparison for the Period Ending June 30, 2014
- Attachment 2 – Bonds Issued and Outstanding as of June 30, 2014
- Attachment 3 – Schedule of Debt as of June 30, 2014