

February 11, 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:

Happy Tenth Birthday Illinois Finance Authority

January 1, 2014 was the tenth anniversary of the effective date of Public Act 93-0205, the legislation that created the Authority. Public Act 93-0205 was originally SB 1075 and was sponsored by the late State Senator Vince Demuzio and former State Representative Gary Hannig. The final amendments to SB 1075 passed the House on a 98-17 vote and passed the Senate on a 30-25 vote. Public Act 93-0205 consolidated seven predecessor entities (some active, some not; some funded by appropriated State taxpayer dollars, some not; some with overlapping missions) into a single, self-funded financing organization with a broad primary mission to create and retain jobs in Illinois, primarily through federally tax-exempt conduit financing.

Over the last decade, under the leadership of its volunteer Board, the Authority has much to be proud of, including the following:

- We are a transparent, accountable, predictable issuer of federally tax-exempt, conduit debt, generally backed by capital assets, on behalf of non-profit hospitals and health systems, non-profit colleges and universities, non-profit senior communities, non-profit museums and cultural institutions, mid-sized manufacturers, beginning farmers, local governments and other qualified borrowers under the federal tax code;
- We closed 1,077 financing projects through the issuance of just under \$31 billion in mainly conduit debt, with just under \$25 billion currently outstanding;
- Through the issuance of Authority bonds, borrowers estimate that Authority financings have helped retain or create thousands of permanent and construction jobs;
- We financed the purchase of thousands of acres of land by Illinois beginning farmers;

- Conducted our operations within our self-funded financial means;
- Successfully ended or managed legacy programs without undue risk to the Authority;
- During the most challenging economic situation since the Great Depression, we identified opportunities that saved our borrowers or taxpayers money either through our close working relationship with Governor Quinn and the Illinois General Assembly or through our knowledge of the capital markets, as exemplified by the following:
 - In partnership with Illinois Environmental Protection Agency, we issued Triple A (“AAA”) rated State Revolving Fund bonds to provide partial, initial funding for Governor Quinn’s Clean Water Initiative, now \$2 billion, low-interest loan program available to Illinois local governments to finance essential water infrastructure projects;
 - During late 2007 and early 2008, in advance of the recession and during the collapse of the auction rate securities/bond insurance-supported market, we refinanced numerous borrowers into new financing modes promptly, efficiently and professionally – mitigating the risk of loss to our borrowers in the millions of dollars;
 - Aggregated federal stimulus era bonding authority to allow for the tax-exempt financing of a wide variety of projects across Illinois, including Navistar, Inc.’s headquarters in Lisle; and
 - Helped a biodiesel plant become financially viable to employ workers in economically distressed Danville without calling on a taxpayer guarantee.

The Future

Despite our accomplishments, the immediate future appears challenging. See Bond Buyer, January 16, 2014, *Low 2014 Issuance Will Rival Worst in Decade, Dealers Say*; Bond Buyer, February 6, 2014, *January Issuance Falls 33%*. However, we are prepared to weather these challenges – as we have faced more serious challenges over the past decade.

In 2012, the Authority adopted a strategic plan with four guideposts to meet when developing new programs:

First, the Authority will look to whether a proposed program will fulfill its broad economic development public mission;

Second, the Authority will carefully examine a program’s broad risk profile, including financial risk, regulatory risk, and reputational risk, and staff will ensure that the risk profile is clearly articulated to the Board so the best decision possible can be made;

Third, the Authority will determine the entire net revenue impact of a proposed program – particularly important to a self-funded entity that is particularly subject to cyclical revenue; and

Fourth, the Authority will ensure that there will be a “but for” for the new proposed program. It is important that programs do not compete with established programs provided by larger, better funded private, non-profit or governmental entities.

Welcome New Member David Vaught

We are pleased to welcome David Vaught to the Authority Board. Mr. Vaught brings a wealth of private and public sector financial experience to the Authority as well as a unique regional perspective.

I look forward to continuing to work with you in support of jobs and financing capital expansion projects throughout our great state.

Respectfully,



—
Christopher B. Meister
Executive Director

Attachments:

Attachment 1 – Bonds Activity Reports; Schedule of Debt