

1 ILLINOIS FINANCE AUTHORITY BOARD
2 PUBLIC NOTICE OF AUDIT, BUDGET, FINANCE, INVESTMENT
3 AND PROCUREMENT COMMITTEE MEETING
4 December 10th, 2015 at 9:37 a.m.
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8 Report of Proceedings had at the Meeting of the
9 Illinois Finance Authority Board of Directors, Public Notice
10 of Audit, Budget, Finance, Investment and Procurement
11 Committee Meeting on December 10th, 2015, at the hour of
12 9:00 o'clock a.m., pursuant to notice, at 160 North LaSalle
13 Street, Suite S1000, Chicago, Illinois.
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1 APPEARANCE:
2 COMMITTEE MEMBERS

3 MS. GILA J. BRONNER, Chair
4 MR. ERIC ANDERBERG
5 MR. LERRY KNOX
6 R. ROBERT FUNDERBURG, Ex-Offi ci o
7 PRESENT TELEPHONI CALLY:
8 MR. ROGER POOLE
9 MR. JOHN B. YONOVER
10 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS
11 MR. BRAD FLETCHER, Assi stant Vi ce-Presi dent
12 MS. ELI ZABETH WEBER, General Counsel
13 MS. SIX GRANDA, Control l er

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1 CHAIRWOMAN BRONNER: Good morni ng. I wou ld
2 l ike to call to order the Audi t Budget Finance
3 Investment and Procurement Commi ttee meeting,
4 otherwi se known as Audi t Pl us. It is now 9:37.

5 JURACEK: You know what, I don' t need to be on
6 thi s meeting. I' m on Tax Exempt Condui t.

7 CHAIRWOMAN BRONNER: Okay, great. Call back
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8 for that.
9 MEISTER: All right. Thanks, Mayor.
10 JURACEK: Thank you.
11 FLETCHER: I'll call the roll.
12 CHAIRWOMAN BRONNER: Please call the roll.
13 FLETCHER: Certainly. Member Anderberg?
14 ANDERBERG: Here.
15 FLETCHER: Member Bronner?
16 CHAIRWOMAN BRONNER: Here.
17 FLETCHER: Member Knox?
18 KNOX: Here.
19 FLETCHER: Mr. Poole on the phone, and
20 Mr. Yonover on the phone?
21 YONOVER: Yes.
22 FLETCHER: Okay. At this time we have four
23 members present. We have a quorum of the Committee.
24 CHAIRWOMAN BRONNER: Thank you. You have
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1 before you an agenda that actually has ten items on
2 it, two of which, correct me if I'm wrong, would
3 call for us first to go into closed session so that
4 we might consider the nature of some of the audit
5 findings, but I do not believe we need to go into
6 closed session for that because at this juncture,
7 those audit findings are draft and actually are not
8 considered final at this point. Is that -- that
9 would be correct?
10 MEISTER: Yes.
11 CHAIRWOMAN BRONNER: And so I would suggest

12 that we remain in open session. We have
13 distributed, in conformity with proper FOIA
14 guidelines, in a confidential manner to Board
15 Members, the draft audit findings, but I would like
16 to remind you they are only draft at this time.

17 And so until such time until they are
18 actually the final audit findings, would we then
19 address the corrective actions associated with them.

20 However, I do want to say that this has
21 been a very interesting process working through with
22 the Auditor General's Office this year on the
23 financial and compliance audit.

24 Historically, the audits for the IFA, like
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1 every other state agency, sometimes they are
2 financial only. In certain years, they are
3 financial and compliance. The distinction between
4 those two is that during a compliance audit, there
5 will be certain areas that the State Auditor General
6 will determine for all state agencies, it might be a
7 year we look at travel. It might be a year we look
8 at procurement.

9 They will select certain aspects of State
10 Government operations to target specific detail
11 compliance testing around those, and then generally
12 they would look to ensure appropriate levels of
13 compliant with enabling legislation for the various
14 agencies associated with their mission.

15 This year, we had -- I will say there was
16 a lot of both good and hard work conducted on the

17 part of IFA staff in both preparing for the
18 financial and compliance audit, and working together
19 with the auditors.

20 Melinda Gildart, who is not here today
21 because she is actually at the Government Finance
22 Officers' Association committee meetings. Melinda,
23 who is our CPO, has taken a leadership role in the
24 GFOA organization.

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1 I formerly was a director of GFOA and ran
2 the Certificate of Achievement for Excellence in
3 Financial Reporting. That is relevant in that IFA,
4 as we know, we received the award. We received the
5 GFOA, the Certificate of Achievement for Excellence
6 in Financial Reporting, which is the highest award
7 given within this industry to government agencies,
8 and government entities for good compliance, as well
9 as for demonstrating the highest levels of financial
10 accounting and reporting.

11 To that end, the IFA on its first effort
12 ever received the Certificate of Achievement. So
13 that is a great credit. Presently, we have met and
14 I, both in my capacity as Chair of this Committee
15 and also because I work in governmental accounting
16 and auditing with the Auditor General, met with the
17 Audit Manager with the external audit firm and with
18 IFA staff.

19 We have been going through, and with
20 Elizabeth as well, the IFA staff and counsel, really

21 went through all the different -- this was an
22 unusual year for IFA, in terms of the natures of
23 transactions that we participated in on behalf of
24 other agencies, with other agencies, and we have

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1 been, I think, working very carefully to ensure that
2 as we proceed, that we have properly accounted for
3 all of those transactions and demonstrated
4 stewardship, both stewardship and accountability,
5 from both a legal compliance, as well as a
6 governmental accounting and auditing perspective.

7 We, I believe, have had very good meetings
8 with the Auditor General's Office. They, as well, I
9 believe recognized we were researching very
10 carefully all appropriate treatments, and now we are
11 in the process of finalizing the actual audit,
12 itself.

13 So correct me if I'm wrong, Mr. Executive
14 Director, but I believe at this time we should not
15 be discussing the detailed findings, but rather wait
16 until they are final so that we can talk through
17 them, as well as our own corrective action plans and
18 how the staff is planning to address them.

19 MEISTER: I agree, and again, for the Members
20 of the Authority that are new to government, the
21 constitutional State Auditor General process is
22 unlike anything you would run into in a private or
23 nonprofit context.

24 It is more robust. It is more like

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1 government, and there is an absolute directive by
2 the Auditor General's Office until the moment that
3 the Auditor General's Office chooses to publish the
4 final audit, and it is their choice not ours, that
5 the draft findings are draft.

6 And again, we have shared them, with the
7 Board Members, in a manner that is subject to
8 attorney-client and the two applicable exemptions
9 from the Freedom of Information Act preliminary
10 policy making and a competitive harm.

11 While I believe that we would have a
12 good-faith basis to move into closed session at this
13 time, given the deep engagement that Chair Bronner
14 has had with this process and her deep level of
15 expertise, I would just ask for a motion which is
16 actually --

17 FLETCHER: 4.

18 MEISTER: Yes, motion No. 4, that staff,
19 including myself, Six, Elizabeth, Melinda would
20 continue would work with Chair Bronner, to prepare
21 what we need to do, responses, draft letters for
22 review by the Board Chairman, draft letters for
23 review by the Audit Chair to move forward and to
24 wrap up both the compliance audit, the financial

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1 audit, and the CAFR, which is the Combined Annual
2 Financing Report of the Authority.

3 CHAIRWOMAN BRONNER: Correct. And it is the
4 CAFR that actually gets submitted to the GFOA, the
5 Comprehensive Annual Financial Report for
6 Consideration for the Certificate of Achievement.
7 So we had hoped ideally we've been
8 pressuring the Auditor General's Office for the last
9 few years to speed up their process to complete the
10 audits, and we are hopeful that that will be
11 resolved within the course of the next few weeks
12 that we will bring closure by the end of the year so
13 that we'll actually have a final audit report from
14 them in early January.
15 ANDERBERG: So you're asking for a motion.
16 MEISTER: Yes.
17 ANDERBERG: So moved.
18 KNOX: Second.
19 CHAIRWOMAN BRONNER: All those in favor?
20 (A chorus of ayes.)
21 CHAIRWOMAN BRONNER: Opposed?
22 (No response.)
23 FLETCHER: It appears the ayes have it.
24 CHAIRWOMAN BRONNER: And so to that end, then,
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1 we are also looking at item 5 has been withdrawn
2 from the agenda, and item 6 --
3 MEISTER: And both of those items, items 5 and
4 6, they were also on the agenda for the Direct and
5 Alternative Committee.

6 As I polled that committee, more work
7 needs to be done on these proposals. The matters

8 are not yet ripe, and we hope to bring them back
9 before the committees and the Board at a future
10 time.

11 CHAIRWOMAN BRONNER: Great. And item 7,
12 relating to emergency procurements?

13 MEISTER: Oh, yes. And A little bit of
14 background, the procurement process in the State of
15 Illinois is similar to the external audit process.
16 It's heavily regulated.

17 A lot of that regulation is fairly new.
18 And so going back to October, when I came before the
19 Board, and in November, to ask for consideration of
20 the Authority to move forward with investment
21 bankers and various advisors, I did not include
22 either bond counsel or Authority's issuer's counsel
23 at that time.

24 And so I'm asking for Authority, under
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1 agenda item number 7, to have an emergency
2 procurement, which given the background of these
3 firms, I will tell you that both of them had a deep,
4 deep knowledge of both moral obligation structures
5 of the State of Illinois, and Mayor Brown had a deep
6 knowledge of the Statutory Prompt Payment Act.

7 So I'm recommending we enter into
8 contracts with them. In addition, back in October,
9 I asked for Authority to identify a potential
10 servicer, and with respect to the servicer, we
11 engaged in process that was as competitive as was

12 practicable.

13 And we have selected -- the staff has
14 selected or recommended MABSCO, which also serves as
15 our current servicer, and I would like authority to
16 enter into contracts with all three of these.

17 Oh, and there was one other professional
18 that is unrelated to the moral obligation, the
19 proposed moral obligation transaction, and that is
20 to engage in a small purchase with Mesirov Financial
21 as an insurance broker for employee benefits as we
22 continue to work through that process.

23 CHAIRWOMAN BRONNER: And can you explain what a
24 small purchase is for those?

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1 MEISTER: A small purchase is under \$50,000.
2 In that process, we worked with the procurement
3 Regulator, the Office of the Chief Procurement
4 Officer to obtain the approval on that.

5 We're currently -- the Authority is
6 currently on an extended long-term small purchase,
7 emergency purchase, with ADP, which is a
8 professional employee organization that provides
9 benefit and payroll.

10 We have been working with the Chief
11 Procurement Officer and the Board to work through
12 those complexities. We believe that if we obtain --
13 if we enter into a contract with Mesirov, that they
14 will provide competitive services for various
15 employee benefits.

16 CHAIRWOMAN BRONNER: And also the resolution on
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17 the insurance broker for small purchase is in the
18 back of our folders, as is the emergency one,
19 although I cannot seem to locate it.

20 Do you have it, Elizabeth?

21 WEBER: I'll find it here.

22 MEISTER: It's at the -- at the meeting of the
23 entire Board, it will also be agenda item --

24 FLETCHER: 11.

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1 MEISTER: Number 11 under projects and
2 resolutions.

3 WEBER: Here.

4 CHAIRWOMAN BRONNER: There we go. Okay. This
5 is the insurance broker.

6 MEISTER: It has everything.

7 CHAIRWOMAN BRONNER: For Bond Counsel as well.
8 Got it. It was the last item in the folder.

9 MEISTER: Bond Counsel, Issuers Counsel,
10 servicers, all under emergency for the proposed
11 moral obligation transaction that received
12 preliminary approval in November, as well as to
13 assist with the purchase of certain receivables of
14 State agencies of which we did purchase a quarter
15 million dollars for the disadvantaged business that
16 provides janitorial services for the Thompson
17 Center, and we're looking at a variety of others
18 under that grant of Authority from November.

19 CHAIRWOMAN BRONNER: Okay. Do we need a motion
20 before we can discuss this?

21 MEISTER: I think you can discuss it.
22 FLETCHER: You can make a motion to recommend
23 approval to move it to the full Board.
24 ANDERBERG: I'll make a motion to approve.
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1 CHAIRWOMAN BRONNER: Is there a second?
2 KNOX: Second.
3 CHAIRWOMAN BRONNER: Is there any discussion?
4 Any questions about any of these procurements?
5 (No response.)
6 FLETCHER: All those in favor?
7 (A chorus of ayes.)
8 CHAIRWOMAN BRONNER: Opposed?
9 (No response.)
10 FLETCHER: The ayes have it. The motion
11 carries.
12 CHAIRWOMAN BRONNER: In that case, might there
13 be any other business coming before the Committee?
14 Any public comment?
15 (No response.)
16 CHAIRWOMAN BRONNER: I will then entertain a
17 motion to adjourn.
18 ANDERBERG: So moved.
19 KNOX: Second.
20 FLETCHER: All those in favor?
21 (A chorus of ayes.)
22 FLETCHER: Opposed?
23 (No response.)
24 FLETCHER: The Committee Meeting is adjourned.
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1 The time is 9:50.
 2 (WHICH WERE ALL THE PROCEEDINGS HAD at 9:50 a.m.)
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PAMELA A. MARZULLO, C. S. R. , being first duly sworn,
says that she is a court reporter doing business in the city
of Chicago; that she reported in shorthand the proceedings
had at the Proceedings of said cause; that the foregoing is
a true and correct transcript of her shorthand notes, so
taken as aforesaid, and contains all the proceedings of said
meeting.

PAMELA A. MARZULLO
License No. 084-001624

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