

1 ILLINOIS FINANCE AUTHORITY
2 SPECIAL MEETING OF THE TAX-EXEMPT CONDUIT
3 TRANSACTIONS COMMITTEE
4 AND
5 DIRECT AND ALTERNATIVE FINANCING COMMITTEE
6 August 17, 2017 at 8:30 a.m.

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10 Report of Proceedings had at the Special
11 Meeting of the of the Tax-Exempt Conduit
12 Transactions Committee and Direct and Alternative
13 Financing Committee of the Illinois Finance
14 Authority on August 17, 2017, at the hour of 8:30
15 a.m., pursuant to notice, at 160 North LaSalle
16 Street, Suite S1000, Chicago, Illinois.

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1 APPEARANCE:
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3 TAX-EXEMPT CONDUIT TRANSACTIONS COMMITTEE MEMBERS

- 4 MR. ROBERT HORNE, Chair
- MR. JAMES J. FUENTES
- 5 MR. BRADLEY A. ZELLER
- MR. MICHAEL W. GOETZ
- 6 MR. LYLE McCOY, Vice-Chair
- MR. GEORGE OBERNAGEL (Via Audio Conference)
- 7 MR. ERIC ANDERBERG, Ex-Officio/Non-Voting

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9 DIRECT AND ALTERNATIVE FINANCING COMMITTEE MEMBERS

- 10 MR. LERRY KNOX, Chair (Added)
- MR. ROGER POOLE
- 11 MR. BRADLEY ZELLER
- MR. JAMES. J. FUENTES
- 12 MR. LYLE McCOY
- MR. ERIC ANDERBERG, Ex-Officio/Non-Voting

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ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

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- MR. BRAD FLETCHER, Assistant
- 16 Vice-President
- MS. PAMELA LENANE, Vice-President
- 17 MS. ELIZABETH WEBER, General Counsel
- MR. PATRICK EVANS, Agricultural Banker (Via
- 18 Audio Conference)

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20 GUESTS:

- 21 MR. TERRENCE O'BRIEN, IFA Member
- MR. ERIC ROCKHOLD, Bank of America

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1 HORNE: So I would like to call the
2 meeting of the members of the Tax-Exempt
3 Conduit Transactions Committee to order. Will
4 the Assistant Secretary please call the roll of
5 such committee members.
6 FLETCHER: Certainly. The time is 8:30
7 a.m. Mr. Fuentes?
8 FUENTES: Here.
9 FLETCHER: Mr. Goetz?
10 GOETZ: Here.

11 FLETCHER: Mr. McCoy?
12 McCOY: Here.
13 FLETCHER: Mr. Obernagel, on the line?
14 OBERNAGEL: Here.
15 FLETCHER: Mr. Zeller?
16 ZELLER: Here.
17 FLETCHER: And Chairman Horne?
18 HORNE: Here.
19 FLETCHER: And Mr. Anderberg as
20 ex-officio, non-voting.
21 Chairman Horne, a quorum of Tax-Exempt
22 Committee members has been constituted.
23 HORNE: Thank you.
24 Does anyone wish to make any additions,

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1 edits or corrections to the minutes from the
2 July 13th, 2017 meeting?
3 (No response.)
4 HORNE: Hearing none, I would like to
5 request a motion to approve the minutes.
6 GOETZ: So moved.
7 FUENTES: Second.
8 HORNE: All those in favor?
9 (A chorus of ayes.)
10 HORNE: Okay. The ayes have it.
11 Chris, do you want to move into it?
12 MEISTER: Yeah. Actually, Roger, down on
13 the first page of II, if you can step into
14 Chair Knox's position.

15 POOLE: Certainly, Director Meister. I
16 will call the order and roll of the Direct and
17 Alternative Financing Committee members, and
18 review any adoption of the Direct and
19 Alternative Committee meeting minutes from
20 August 2016.

21 FLETCHER: We will let the record reflect
22 that Member Anderberg now serves as Chairman of
23 the Authority, and therefore, serves as
24 ex-officio, non-voting in the Direct and

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1 Alternative Financing Committee.

2 I will call the roll of the Direct and
3 Alternative members. Mr. Fuentes?

4 FUENTES: Here.

5 FLETCHER: Mr. McCoy?

6 McCOY: Here.

7 FLETCHER: Mr. Pool e?

8 POOLE: Here.

9 FLETCHER: And Mr. Zeller?

10 ZELLER: Here.

11 FLETCHER: And we expect Chairman Knox at
12 a later time.

13 At this time a quorum of committee members
14 has been constituted.

15 MEISTER: And Secretary Fletcher, I know
16 we have another board member sitting in, who is
17 not a member of either committee: Member
18 O' Bri en.

19

FLETCHER: Duly noted.

20

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POOLE: Okay. Does anyone wish to make any additions or edits to the corrections of the minutes from the August 8th meeting?

(No response.)

POOLE: Hearing none, I would like to

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request a motion to approve the minutes.

2

McCOY: So moved.

3

ZELLER: Second.

4

POOLE: It has been moved and seconded.

5

All those in favor of the motion?

6

(Chorus of ayes.)

7

POOLE: Opposed?

8

(No response.)

9

Ayes have it. So order.

10

Okay. The presentation of the project

11

report and resolutions.

12

MEISTER: I would like to suggest that

13

since Ms. Lenane is late due to weather, that

14

perhaps what we ought to do is have Mr.

15

Fletcher present the Clean Water Initiative and

16

just go right into that presentation.

17

FLETCHER: Certainly. So this will be

18

with respect to the Direct and Alternative

19

Financing Committee. Tab No. 3 in your Board

20

books is an authorizing resolution of behalf

21

of Illinois Environmental Protection Agency

22

State Revolving Fund.

23
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(Member Knox enters.)

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1 FLETCHER: So we were just about to
2 discuss IEPA, Lerry.
3 KNOX: Okay.
4 FLETCHER: Which you need to recuse
5 yourself from.
6 (Laughter.)
7 MEISTER: Hello and good-bye.
8 FLETCHER: Thank you very much for coming.
9 (Member Knox exits.)
10 FLETCHER: Let the record reflect that
11 Member Knox arrived for the Joint Committee
12 meeting at 8:34 a.m.
13 So to continue, again, Tab No. 3 in your
14 Board books is for IEPA State Revolving Fund in
15 a not to exceed amount of \$650,000,000. Over
16 the last several months, as many of you recall,
17 we requested your approval for various
18 engagements, including underwriters,
19 co-managers, bond counsel and issuer's counsel,
20 which is ultimately culminating in today's
21 transaction.
22 By way of background to refresh your
23 memories, since the last time we did this was
24 last August, each state, including Illinois, has

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1 a state revolving fund whereby it makes
2 revolving funds to local governments per the
3 United States EPA Eligible Capital Projects
4 related to clean wastewater and safe drinking
5 water. Under each program, USEPA provides
6 grants to these states, in this case, Illinois
7 EPA, to capitalize these State Revolving Fund
8 loan programs.

9 The IEPA then lends the grant money to
10 units of local government and recycles repayments
11 of loan principal, interest and any investment
12 earnings through the program to make ongoing
13 loans going forward.

14 In Illinois, IEPA assigns each loan a
15 based fixed interest rate, as approved by the
16 Joint Commission on Administrative Rules, which
17 I will refer to as JCAR hereafter. The
18 interest rate is equal to 50 percent of the
19 bond buyer's 20 bond GO index for your previous
20 state fiscal year.

21 As some of you may recall from last year,
22 there was a 10 basis point variance in interest
23 rates between two programs. As of July 1st,
24 2017, JCAR has made that interest rate

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1 consistent among both programs for this bond
2 issue, and since July 1st, the underlying

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3 loans, new loans will be 1.76 percent.

4 Details regarding those JCAR changes are
5 provided on Pages 4 and 5 of the report.
6 Additional programmatic changes by IEPA include
7 discount interest rates going forward for small
8 communities, discount interest rates where
9 applicants are experiencing a financial
10 hardship, as well as discount interest rates
11 for applicants seeking to finance certain
12 environmental impact projects, green projects,
13 if you will. They receive a slight discount on
14 their interest rate of their loan.

15 These low interest rates subsidized by EPA
16 are intended to induce demand and effectively
17 make loans within the required spend-down
18 timeframe under federal law. Additionally,
19 these low rates incentivize highly rated
20 borrowers to participate in a revolving loan
21 program. One such example would be the
22 Metropolitan Water Reclamation District of
23 Greater Chicago. They provide clean wastewater
24 to roughly 50 percent of the state's

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1 population. With their high rating, they do
2 have access to the capital markets, but because
3 of these low interest rates, they still utilize
4 IEPA's Revolving Fund Program.

5 So to the transaction itself today, in
6 order for IEPA to receive these certain federal

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7 grant monies from USEPA and to make loans at
8 these very low interest rates, they must cover
9 20 percent state match.

10 In 2016, last year, we issued bonds to
11 prefund the state match requirement of
12 \$11.99 million for the Clean Wastewater Program
13 for 2017, as well as \$6.88 million for the Safe
14 Drinking Water Program for 2017. Again, last
15 year's bond proceeds prefunded the state match
16 for this year. This 20 percent state match
17 funded by the bond proceeds is providing IEPA
18 \$94.35 million in federal grants this year,
19 which, as we have been told, should be fully
20 funded by next month, by September.

21 Taking together this \$113,000,000 of state
22 match and federal grant monies, plus the cash
23 flows of existing pledged loans for the
24 2013 bonds and 2016 bonds, is allowing IEPA to

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1 leverage its assets again to borrow at this
2 time an additional \$650,000,000 in municipal
3 bond markets. The 2013 Master Trust Agreement
4 will remain in place and be supplemented for
5 this transaction. That is to say, the
6 underlying Pledged Loan Agreements under the
7 Match Trust Agreement pledged for the 2013
8 bonds and 2016 bonds will also be pledged as
9 repayment for these contemplated 2017 bonds.

10 As a result, all three series of bonds

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will be on a parity basis. Again, no new loan
12 agreements are being pledged for collateral to
13 securitize to 2017 bonds.

14 Nevertheless, the SRF cash model will
15 again have strong cash flow and coverage ratios
16 as approximately 838 loans totaling
17 approximately \$2.56 billion dollars secure
18 the prior bonds and the contemplated 2017
19 bonds.

20 As a result of these strong cash flows and
21 coverage ratios, in addition to the strength of
22 the underlying securities, which again, are GO
23 pledges or revenue pledges
24 from units of local government across Illinois,

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1 we expect what this transaction will again be
2 rated AAA by both S&P and Fitch. We expect
3 verbal confirmation in the ratings by next
4 Monday. The POS, the Preliminary Official
5 Statement, we are expecting to post that later
6 today after the Board considers this
7 transaction, and upon final pricing in the last
8 few days of August, we expect to close this
9 transaction during the second week of
10 September.

11 (Mr. Rockhold enters.)

12 FLETCHER: Bank of America, Merrill Lynch,
13 who has just graciously stepped in, is a senior
14 manager, and Citi is the co-senior manager on

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15 this transaction. If you refer to Page 10 of
16 your report, I provided a comprehensive list of
17 the transaction participants for this deal.
18 Finally, I will also add, that the authorizing
19 resolution is going to provide for an amended
20 and restated of assignment of loans, as well as
21 authorize execution of a fourth amendment to
22 the memorandum of agreement between ourselves and
23 IEPA.

24 While, as I said, no new loans are being

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1 pledged as collateral for the 2017 bonds, 13
2 loans totaling approximately \$37.56 million are
3 being de-pledged from the existing pool of
4 securities in advance of any potential need for
5 these loans to potentially restructure. This
6 is more of a preemptive matter. It is not
7 material to the credit. Again, \$2.65 billion,
8 they have a \$3.65 billion loan program, on this
9 pledge as collateral. So we are just removing
10 \$37,000,000 as a preemptive matter before we
11 close the 2017 bonds, because those bonds are
12 in a category that IEPA considers potentially
13 needing to restructure due to various reasons.

14 Also, with respect to the fourth amendment
15 between the MOA, between IFA and IEPA, Pages 8
16 through 9 of your report I lay out a long
17 history of the memorandum of agreement and
18 previous amendments between the two agencies.

19 This fourth amendment will further clarify
20 that IEPA will implement the administrative
21 rules adopted by JCAR on July 1st, 2017 so long
22 as its compliant provisions of the Master Trust
23 Agreement.

24 Again, those rules went into effect July

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1 1st with the new interest rates and the
2 discounted interest rates. So accordingly, we
3 need to update the MOA at this time.

4 I talked very fast because I was told to
5 be quick and swift.

6 (Laughter.)

7 FLETCHER: So I'm very happy to answer any
8 questions at this time.

9 POOLE: Brad, last year's deal was a AAA
10 rated, which you said the deal will likely be
11 the same.

12 FLETCHER: Yes.

13 POOLE: What type of debt service coverage
14 are we projecting on an additional \$650,000,000
15 in bonds with the same pool of pledged loans
16 from the last two deals?

17 FLETCHER: So we received updated
18 financial modeling from our financial advisers
19 last night. Actually printed out this morning.
20 Pam, if you can pass that along for me.

21 LENANE: Yeah. Sure.

22 FLETCHER: So the most recent financial

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modeling results show a debt service coverage
24 ratio of about 1.57. That's in the aggregate.

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1 That's how the credit agencies review these, in
2 the aggregate. This is two programs. It's
3 Clean Water and Drinking water, Safe Drinking
4 Water. Individually those coverage ratios are
5 different, but their credit agencies review
6 these in the aggregate. In the aggregate we
7 are forecasting 1.57 percent.

8 As far as the true interest cost, an
9 average true interest cost, last night it was
10 2.799%. That will change as the markets
11 fluctuate over the next couple days. That's
12 probably a very good estimate of where we will
13 be in a couple weeks on price, which is
14 scheduled for August 28th and 29th.

15 MEISTER: If you could just go over for
16 the record the co-managers.

17 FLETCHER: Certainly. So you'll recall we
18 approved the pool of various underwriters going
19 forward over a multiple-year period. For this
20 transaction, there is five co-managers. They
21 include Academy Securities, Cabrera, Janney
22 Montgomery Scott, Loop Capital and Mesierow
23 Financial.

24 GOETZ: I noticed that several of those

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1 are a minority or female-owned.

2 FLETCHER: In fact, the Academy is a
3 veteran-owned firm as well.

4 GOETZ: And Cabrera, Loop and Janney
5 Montgomery, is that female?

6 MEISTER: Yes. Well, I'm not sure if
7 Janney Montgomery is.

8 GOETZ: Is not?

9 WEBER: No.

10 GOETZ: But Cabrera and Loop?

11 MEISTER: Yeah. Cabrera and Loop, and
12 then also Academy apparently has a dual
13 designation as veteran-owned and minority or
14 distressed business. We met with them
15 yesterday afternoon.

16 And then also, Eric Rockhold is here from
17 Bank of America Merrill Lynch.

18 ROCKHOLD: Good morning, Everyone. Thank
19 you.

20 FLETCHER: Anything else from the Direct
21 Alternative members, or any other members?

22 HORNE: Just, so last year we issued
23 \$100,000,000, and this year it's --

24 FLETCHER: No. Last year it was --

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1 WEBER: \$500.

2 FLETCHER: \$500, \$550. Part of that bond
3 issue prefunded this year's state match.

4 HORNE: I see. How much of that \$550 or
5 whatever was used in last year's offering?
6 FLETCHER: How much what?
7 POOLE: It was \$650, wasn't it?
8 HORNE: I mean, how much did you --
9 POOLE: Spend?
10 HORNE: Exactly.
11 FLETCHER: My understanding is they are
12 going to be out of those proceeds quite
13 quickly.
14 HORNE: So really so this is totally
15 needed because we need --
16 FLETCHER: Yes. In fact --
17 ROCKHOLD: All their water money was actually
18 spent, I believe, in June.
19 FLETCHER: Yes. One of the programs
20 zeroed out back in June.
21 ROCKHOLD: And the Drinking Water is
22 scheduled to be done now.
23 WEBER: It is under a hundred million. I
24 remember that.

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1 FLETCHER: Uh-hmm. Yes.
2 HORNE: So we can probably see this
3 happening on a more annual basis?
4 FLETCHER: Yeah. The financial modeling
5 we received last night predicts this to be
6 annual through the next five to ten years.
7 HORNE: It hasn't been annual. It's been

8 kind of --
9 FLETCHER: Right. Correct.
10 MEISTER: Then also the 2016, the par
11 amount was \$500,000,000, but because of the AAA
12 nature of the credit, there was an additional
13 \$87,000,000 in premium bonds.
14 HORNE: Got it. Yeah.
15 MEISTER: And actually, Eric, why don't
16 you go over just quickly what -- there
17 is -- at the end of the day there is an
18 interest benefit to having additional proceeds
19 through premium bonds.
20 ROCKHOLD: I guess IEPA is looking for
21 about \$600,000,000 in proceeds that they want to
22 be able to lend out this year, and so we have
23 been sizing the transactions. A couple of
24 other tweaks we are making to the program to

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1 allow for some amendments so some additional
2 funding can be at the disposal of IEPA on a
3 more regular basis. So we are anticipating
4 issuing, you know, \$550 some odd million at
5 least this year and make sure that that comes
6 into play to assist the IEPA further, and the
7 way the bonds will be sold is they will be
8 sold, the market likes to have higher interest
9 rates on their bonds so they like to have a
10 higher coupon or interest rate on the bonds.
11 The yield on the bonds, as Brad mentioned, will

12 be something say in the 2 and 2 and a half
13 percent range, we anticipate, and so you sell
14 bonds at a 5 percent interest rate when they
15 get over say 20 years. They are going to have
16 to pay a dollar price instead of paying par or,
17 you know, a hundred percent, they are going to
18 have to pay 115 percent. So that's how we get
19 to generate all the premium.

20 HORNE: I see.

21 ROCKHOLD: So a lot of additional proceeds
22 will be deposited into the program for that
23 reason.

24 FLETCHER: So that is to say, the

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1 financial modeling we received last night, I
2 think the par amount was \$558. When you add in
3 the until additional \$95,000,000 of proceeds, it
4 brings you up to \$653.

5 HORNE: I see.

6 GOETZ: Any idea how many construction
7 jobs are going to be created through this
8 program?

9 FLETCHER: I can't answer that.

10 GOETZ: Are you able to estimate that at
11 all?

12 FLETCHER: I don't know.

13 ROCKHOLD: IEPA should be in its
14 broad-based communities.

15 GOETZ: Yeah. Right. I mean, all across

16 the state.

17 ROCKHOLD: Right.

18 MEISTER: I think that the hallmark of
19 this program has really been diversity of
20 borrowers, and I think IEPA has done an
21 excellent job spreading the impact of this
22 program across the state, and actually, Roger,
23 I think you have a draft version of the POS.

24 POOLE: This one?

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1 MEISTER: Yeah. So just -- Oh, and then
2 last year's official statement. So just --
3 Actually, Brad why don't --

4 FLETCHER: Well, I was going to say, in
5 previous years IEPA has funded every loan that
6 qualified for either clean wastewater or
7 drinking water. They are going to return,
8 after this transaction, to their loan priority index
9 where they rate their loans by need, if you
10 will, and then establish annual funding caps,
11 because this is becoming leveraged, this pool,
12 it's 2013 bonds, 2016 bonds, and now these 2017
13 bonds. So they are going to return the annual
14 funding caps. That is to say, I imagine part
15 of that loan priority index is making sure
16 there is diversity across the state, to your
17 point, as far as making sure all communities
18 are receiving financial assistance they need.

19 ROCKHOLD: And in the velocity of spending

20 that you gave them last year, that was
21 exceptional when compared nationally. For
22 these types of programs it's really, you
23 know --

24 MEISTER: Brad, why don't you go over the

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1 top ten borrowers for the program.

2 FLETCHER: Sure. So naturally, for
3 drinking water, City of Chicago is right up
4 there, Number 1, as well as MWRD for clean
5 wastewater. Additionally, the Fox Metro Water
6 Reclamation District; the Kankakee River
7 Metropolitan Agency; City of Belleville; City
8 of Joliet; Sangamon County Water Reclamation
9 District in Springfield; the Urbana and
10 Champaign Sanitary District, U of I; Rock
11 Island; and then Evanston rounds out the list
12 for the top ten.

13 So these are borrowers that had access to
14 the capital markets. Because this program is
15 so well run, efficiently, provides low interest
16 rates, these borrowers still use this program
17 rather than going out into the markets
18 themselves.

19 MEISTER: And then highlight the
20 percentages, the top two, and sort of the range
21 of the bottom eight.

22 FLETCHER: So MWRD and City of Chicago,
23 which of course have overlapping jurisdictions

24 while it's different programs, that's

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1 roughly 37 percent, and then everyone else is
2 3 percent or under for the remaining eight.

3 HORNE: Does every state have a program
4 like this?

5 FLETCHER: Yes.

6 HORNE: So we can't administer other
7 states?

8 FLETCHER: (Laughter.) Not that I'm aware
9 of, I will say that. Certainly an idea.

10 HORNE: I see.

11 MEISTER: And there are a couple of
12 national organizations. One is CIFA, the
13 Council of Infrastructure Finance Authorities,
14 but USEPA has an advisory board that I was
15 appointed to a couple of years ago that I'm
16 going to a meeting in Kansas City next week.
17 So we have got a couple of reports that are
18 coming down the pike that I will circulate
19 after they are approved by the Board on using
20 the State Revolving Fund structure in order to
21 address lead mitigation, and then the second
22 one is on a problem mainly in rural area and
23 ex-urban areas where it is basically called
24 decentralized wastewater treatment systems,

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1 which are in essence septic tanks, and how
2 to use the State Revolving Fund in order to
3 access that.

4 The EFAB Board also very early on in the
5 current presidential administration wrote to
6 USEPA Administrator Pruitt and described what
7 the Board, the Advisory Board does. The
8 chairman of the EFAB Board, which is actually a
9 colleague of Eric's, Tom Liu, who is helping
10 structure this deal on behalf of Bank of
11 America Merrill Lynch. The administrator
12 responded back, and the committee members have
13 probably heard about various proposed cuts to
14 USEPA. In the first draft federal budget that
15 came out of the new Trump Administration, the
16 State Revolving Fund was, I think, one of the
17 few, or the only USEPA program that was held
18 flat and not cut. So I think that there is a
19 recognition that this is a very effective and
20 efficient way to have finance, to finance
21 infrastructure for drinking water and
22 wastewater in a way that gets to the ultimate
23 beneficiaries and provides below-market
24 financing and does it very efficiently, and

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1 does so with the help of the private capital
2 markets.

3 So I will learn more next week, but I

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4 think there is a recognition, there is a
5 bipartisan recognition in Washington that this
6 is a very effective and efficient program.

7 FLETCHER: And if I can add on, that is to
8 say, the federal capitalization grants that I
9 spoke of early on, those are subject to federal
10 appropriation every year. So that's part,
11 that's disclosed in a POS. They never know
12 that appropriation is going to be made
13 available. It always has been, thankfully.
14 But I will just add, it's under state law that
15 IEPA is designated to receive these federal
16 monies from the USEPA, so...

17 MEISTER: And one of the reasons why the
18 below-interest structure works so well is that
19 year after year the federal government
20 basically provides the equity for free, and
21 then it's loaned out and you have a triple, you
22 have an over-collateralized AAA structure. And
23 so that's the mechanism that the local
24 governments end up with below-market financing

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1 for the water and sewer infrastructure.

2 HORNE: Are there any other federal
3 programs that -- you know, Washington said they
4 wanted to fund infrastructure. You know,
5 this is a great tool. Are there tools for any
6 other like clean energy or anything else that
7 is coming out that are --

8 MEISTER: This is the one that we are most
9 aware of. I understand that there was an
10 executive order issued this week that made some
11 movement into streamlining federal regulatory
12 approvals for various infrastructure --

13 HORNE: I read that too, yeah.

14 MEISTER: -- problems or --

15 HORNE: The EPA.

16 MEISTER: Yeah. Well, it's EPA, and it's
17 a whole variety of other agencies, but this
18 particular structure works so well because it's
19 in a central purpose public good.

20 HORNE: Yeah. Yeah.

21 MEISTER: And the equity is seeded, and
22 then it's over-collateralized.

23 Did I miss anything, Eric?

24 ROCKHOLD: No. The other thing that

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1 happened last year, there is a protocol which
2 is out there where basically you can get zero
3 percent interest rates in the program for
4 certain borrowers. Only one State Revolving
5 Fund in another state, we're actually working
6 with them right now, they were first to apply for that,
7 were awarded that grant, or loan actually. It's a
8 bigger competitive process, but, you know,
9 there are a few things like that, but it's on a
10 trial basis. They are just starting. So it
11 will continue to expand I think.

12 MEISTER: And we have discussed working
13 with IEPA to submit an application to WIFIA
14 back in March, and because this bond issue was
15 on the horizon, IEPA declined, but I mean, we
16 are going to continue to work to --

17 ROCKHOLD: And one of the nice things with
18 this transaction also is that we didn't need to
19 add any loans to the pool, and so we -- that's
20 a debt coverage factor, and there is still
21 ample capacity to add a number of loans that
22 IEPA administers to get put into this program.
23 There is lot of room.

24 FLETCHER: Yeah. At this time, as of June

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1 30th, there was about a billion dollars
2 unpledged. So...

3 ROCKHOLD: So that's a lot of collateral.

4 FLETCHER: For future.

5 HORNE: For future.

6 ROCKHOLD: Absolutely.

7 HORNE: Good.

8 FLETCHER: Any other questions?

9 (No response.)

10 FLETCHER: I was going to recommend since
11 Lerry is already out of the room, we should
12 take a vote now since he needs to abstain.

13 POOLE: I would like to request a motion
14 to recommend for approval by the members of the
15 Direct Alternative Financing Committee the

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following project report and resolution Item

16

17

No. 3. Is there such a motion?

18

FUENTES: So moved.

19

McCOY: Second.

20

POOLE: Motion made and seconded to

21

concur. Will the Assistant Secretary call the

22

roll?

23

FLETCHER: Certainly. Mr. Fuentes?

24

FUENTES: Yes.

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FLETCHER: Mr. McCoy?

2

McCOY: Yes.

3

FLETCHER: Mr. Pool e?

4

POOLE: Yes.

5

FLETCHER: And Mr. Zeller?

6

ZELLER: Yes.

7

FLETCHER: Mr. Pool e, the motion carries.

8

POOLE: Thank you, Assistant Secretary.

9

Is Mr. Knox coming back in or...

10

MEISTER: Yes, he is.

11

(Mr. Knox re-enters.)

12

POOLE: Good report, Brad. Let the record

13

reflect that Chairman Knox has just returned to

14

the room.

15

KNOX: Good morning.

16

FLETCHER: So next would be the beginning

17

farmer bond, Mr. Evans.

18

EVANS: Good morning, everyone. Today we

19

have one beginning farmer bond. This bond

20 Joint Committee Minutes August 2017.txt
will have a first mortgage position relating to
21 it. The borrower is Maria A. Kern, who is
22 purchasing 80 acres of bare farm real estate.
23 The total cost of this purchase is \$390,000, or
24 \$4,875 per acre. First National Bank of

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1 Raymond will be financing 50 percent of the
2 purchase price, or \$195,000. They will utilize
3 the FSA 5-45-50 Program, Beginning Farmer
4 Program. As stated, IFA bond will be in the
5 first position. FSA would have a second
6 position behind IFA in relation to their
7 45 percent guarantee.

8 The property is located in the northwest
9 corner of Montgomery County, and the terms of
10 the bonds are identified in the write-up.

11 Any questions?

12 HORNE: No.

13 Pam, do you want to talk about Blessing
14 Hospital?

15 LENANE: I will.

16 HORNE: Thanks.

17 LENANE: Thank you. Thank you for
18 switching the agenda around.

19 Blessing Hospital -- I have barely a
20 voice. So I will work on it here.

21 Blessing Hospital is seeking a preliminary
22 resolution for \$20,000,000, an inducement for a
23 \$20,000,000 bond issue. The proceeds will be

24 Joint Committee Minutes August 2017.txt
used to refund their 2007 bond and for new

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1 money purposes, about \$4,000,000, which they
2 will detail at the -- when they do their final
3 bond resolution. They are still identifying
4 projects, and they have a major project.

5 The projects will produce 35 construction
6 jobs. Blessing Hospital is located in Quincy,
7 Illinois, and we are happy to see them back.
8 They have been issuing through the city of
9 Quincy. Their last two bond issues were
10 through the city of Quincy, and Quincy had
11 already used up its bank-eligible authorities
12 so they came to us.

13 We used to issue them at the Health
14 Facilities Authority, but then they figured out
15 Quincy was free and that was better than paying
16 something. So we are happy to see them back.

17 Blessing is a 370-licensed-bed hospital.
18 It's a Level II trauma center. If you will
19 look on Page 5 of the report, it's primary
20 service area covers population for 150,000 in
21 the tri-state region of Illinois, Missouri and
22 Iowa, which is, it's really a very large
23 region.

24 So they contemplated a bank direct

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1 purchase by Commerce Bank or one of its
2 subsidiaries. Blessing has long-term stable
3 ratings of A2 from Moody's and A from S&P.
4 These were just upgraded since 2015. Let me
5 just make sure that's right. They were
6 upgraded -- during fiscal year 2016 they were
7 upgraded, which is really a nice rating for a
8 small rural hospital because it's very hard to
9 get good high ratings on small rural hospitals,
10 and that goes back to the history of S&P,
11 Moody's and other rating agencies. They felt
12 that if a doctor or a doctor's group left the
13 hospital, their admissions would sink so fast
14 they would lose their rating. For a long time
15 they didn't rate smaller hospitals, for those
16 who don't do healthcare, but they did have
17 their ratings improve.

18 Let's see. What else do we have here?
19 Fixed rate, bank direct purchase. If we go to
20 their financials, they have a very strong,
21 strong financials. That's why they get the
22 rating. Debt service coverage of 5.32 and 207
23 days cash on hand.

24 Their inpatient admissions increased by

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1 6.9 percent over fiscal year 2015 and 2016.
2 They have a new \$70,000,000 patient care
3 addition, which created 104 single bedrooms,
4 which has improved privacy while reducing the

5 risking of infection.
6 Blessing is the only provider of inpatient
7 psychiatric beds within a 100 mile radius.
8 Their CFO -- excuse me. Their Chief Accounting
9 Officer, Tim Moore, who I met at the Illinois
10 Small Rural Hospital Meeting that I attended,
11 was going to come, along with Linda Voshake,
12 Assistant Treasurer, to the last meeting, but
13 they couldn't. They canceled, but we canceled
14 our meeting. So hopefully, they will come for
15 the final, they will be able to do that.

16 Any questions?

17 HORNE: So just, this is -- the new money
18 portion is going towards what? There is some
19 construction?

20 LENANE: Yeah. Some construction. New
21 construction. Not this construction, the
22 construction here, but they haven't identified
23 it yet.

24 HORNE: Yeah. Okay.

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1 LENANE: But we will have that for the
2 final resolution.

3 HORNE: Okay. Great.

4 MEISTER: Pam, could you just quickly
5 touch upon bank qualified and how that's a
6 benefit for sort of smaller municipal issuers
7 over and above, outside of what the Illinois
8 Finance Authority can offer?

13 of the Tax-Exempt Conduit Transactions
14 Committee the Reports on Resolutions: Items 1
15 and 2. Is there such a motion?

16 GOETZ: So moved.

17 FUENTES: Second.

18 HORNE: Will the Assistant Secretary
19 please take the roll.

20 FLETCHER: Mr. Fuentes?

21 FUENTES: Yes.

22 FLETCHER: Mr. Goetz?

23 GOETZ: Yes.

24 FLETCHER: Mr. McCoy?

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1 McCOY: Yes.

2 FLETCHER: Mr. Zeller?

3 ZELLER: Yes.

4 FLETCHER: Mr. Obernagel on the line?

5 OBERNAGEL: Yes.

6 FLETCHER: Chairman Horne?

7 HORNE: Yes.

8 FLETCHER: Chairman Horne, the motion
9 carries.

10 HORNE: Thank you.

11 FLETCHER: Next would be other business.

12 HORNE: Yeah. Is there any other business
13 for this committee? If none, then I
14 would --

15 FLETCHER: And then Lerry.

16 HORNE: Lerry, yeah.

17 KNOX: Are we on Part 5?
18 FLETCHER: Page 4, top of Page 4
19 concerning any other business for the Direct
20 and Alternative Board.
21 KNOX: Is there any other business before
22 the Direct and Alternative Financing Committee?
23 (No response.)
24 KNOX: Hearing none.

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1 HORNE: Is there any public comment for
2 the Tax-Exempt Committee?
3 (No response.)
4 HORNE: Hearing none.
5 KNOX: Is there any public comment for the
6 Direct and Alternative Financing Committee?
7 (No response.)
8 KNOX: Hearing none.
9 HORNE: I would like to request a motion
10 to adjourn the Tax-Exempt Conduit Transactions
11 Committee. Is there such a motion?
12 ZELLER: So moved.
13 FUENTES: Second.
14 HORNE: All those in favor?
15 (Chorus of ayes.)
16 HORNE: Opposed?
17 (No response.)
18 HORNE: Ayes have it.
19 KNOX: I would like to request a motion to
20 adjourn the meeting of the Direct and

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21 Alternative Financing Committee members.

22 POOLE: So moved.

23 McCOY: Second.

24 KNOX: All in favor?

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1 (Chorus of ayes.)

2 KNOX: Opposed?

3 (No response.)

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1 KNOX: Hearing none, we are adjourned.
2 Thank you.
3 FLETCHER: The time is 9:06.
4 (Which were all the proceedings
5 had at this time on the
6 above-entitled cause.)

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Joint Committee Minutes August 2017.txt
1 STATE OF ILLINOIS)
2 COUNTY OF COOK) SS:
3 KATHLEEN MUHNE, C.S.R., being first
4 duly sworn, says that she is a court reporter
5 doing business in the city of Chicago, that she
6 reported in shorthand the proceedings had at
7 the Proceedings of said cause, that the
8 foregoing is a true and correct transcript of
9 her shorthand notes, so taken as aforesaid, and
10 contains all the proceedings of said Illinois
11 Finance Authority Tax-Exempt Conduit
12 Transactions Committee Meeting and Direct and
13 Alternative Financing Committee Meeting.

14
15 _____
16 KATHLEEN MUHNE

17
18 SUBSCRIBED AND SWORN TO
19 Before me this 1st day
20 Of September, A.D. 2017.

21 _____
22 Notary Public

23
24

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