

1 ILLINOIS FINANCE AUTHORITY
2 REGULAR MEETING
3 January 12th, 2017, at 9:30 a.m.
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7 Report of Proceedings had at the Regular Meeting of the
8 Illinois Finance Authority on January 12th, 2017, at the
9 hour of 9:30, a.m., pursuant to notice, at 160 North LaSalle
10 Street, Suite S1000, Chicago, Illinois.
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MARZULLO REPORTING AGENCY (312) 321-9365

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1 APPEARANCE:
2 ILLINOIS FINANCE AUTHORITY MEMBERS

3 MR. R. ROBERT FUNDERBURG, Chairman
MR. ERIC ANDERBERG (Via audio conference)
4 MR. JAMES J. FUENTES
MR. ROBERT HORNE
5 MS. ARLENE JURACEK (Via audio conference)
MR. LERRY KNOX
6 MS. GILA J. BRONNER
MR. MICHAEL W. GOETZ (Via audio conference)
7 MR. ROGER POOLE
MR. BRADLEY A. ZELLER
8 MR. LYLE McCOY (Via audio conference)
MR. TERRY O'BRIEN
9 MS. BETH SMOOTS
MR. GEORGE OBERNAGEL
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11 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

12 MR. BRAD FLETCHER, Assistant Vice-President
MR. RICH FRAMPTON, Vice-President
13 MS. PAMELA LENANE, Vice-President
MS. ELIZABETH WEBER, General Counsel
14 MS. XIMENA GRANDA, Controller
MR. CHRISTOPHER B. MEISTER, Executive Director
15 MR. PATRICK EVANS, Agricultural Banker (Via audio
conference)
16 MS. DENISE BURN, Deputy General Counsel
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1 CHAIRMAN FUNDERBURG: Okay, it's 9:30. I would
2 like to go ahead and call our meeting to order.
3 Happy New Year, everyone. Thank you for coming. I
4 would like to ask the Assistant Secretary to please
5 call the roll.

6 FLETCHER: Certainly. The time is 9:30 a.m.
7 I'll call the roll of Members physically present in

8 the room first. Ms. Bronner?
9 BRONNER: Here.
10 FLETCHER: Mr. Fuentes?
11 FUENTES: Here.
12 FLETCHER: Mr. Horne?
13 HORNE: Here.
14 FLETCHER: Mr. Knox?
15 KNOX: Here.
16 FLETCHER: Mr. O'Brien?
17 O'BRIEN: Here.
18 FLETCHER: Mr. Obernagel?
19 OBERNAGEL: Here.
20 FLETCHER: Mr. Poole?
21 POOLE: Here.
22 FLETCHER: Ms. Smoots?
23 SMOOTS: Here.
24 FLETCHER: Mr. Zeller?
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1 ZELLER: Here.
2 FLETCHER: Chairman Funderburg?
3 CHAIRMAN FUNDERBURG: Here.
4 FLETCHER: Mr. Chairman, a quorum of Members
5 physically present in the room has been constituted.
6 At this time I would like to ask if any Members
7 would like to join by audio conference?
8 ANDERBERG: This is Eric Anderberg. I'm
9 requesting to attend via audio conference today due
10 to employment purposes.
11 GOETZ: This is Mike Goetz. I'm requesting to

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12 attend by audio conference due to employment
13 purposes.

14 JURACEK: This is Arlene Juracek. I'm also
15 requesting to attend the audio conference due to
16 employment purposes.

17 MCCOY: This is Lyle McCoy, and I'm requesting
18 the same to attend via audio conference due to
19 employment purposes.

20 CHAIRMAN FUNDERBURG: Thank you. Is there a
21 motion to approve these requests pursuant to the
22 bylaws and policies of the Authority?

23 KNOX: So moved.

24 OBERNAGEL: Second.

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1 CHAIRMAN FUNDERBURG: We have a motion by Mr.
2 Knox, seconded by Mr. Obernagel. All in favor,
3 please say aye.

4 (A chorus of ayes.)

5 CHAIRMAN FUNDERBURG: Any opposed?

6 (No response.)

7 CHAIRMAN FUNDERBURG: The ayes have it.

8 FLETCHER: Mr. Chairman, Members Anderberg,
9 Goetz, Juracek, and McCoy have been added to the
10 initial quorum roll call.

11 CHAIRMAN FUNDERBURG: Thank you. Next up is
12 the approval of the agenda. Does anyone wish to
13 make any additions, edits or corrections to today's
14 agenda?

15 If there are none, I would like to request
16 a motion to approve the agenda.

17 BRONNER: So moved.

18 CHAIRMAN FUNDERBURG: Motion by Ms. Bronner.

19 HORNE: Second.

20 CHAIRMAN FUNDERBURG: There's a second. All in
21 favor, please say aye.

22 (A chorus of ayes.)

23 CHAIRMAN FUNDERBURG: Any opposed?

24 (No response.)

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1 CHAIRMAN FUNDERBURG: Okay. Next up I would
2 just like to wish everybody happy New Year and
3 introduce Executive Director Meister for his report.

4 MEISTER: Thank you, Mr. Chairman. I'll defer
5 my comments towards the end of the meeting. Thank
6 you.

7 CHAIRMAN FUNDERBURG: All right. Next, then, I
8 would like to ask for consideration of the minutes.
9 Does anyone wish to make any additions, edits or
10 corrections to the minutes from our December 8th,
11 2016, meeting?

12 If there are none, then I would like to
13 request a motion to approve the minutes. Is there
14 such a motion?

15 FUENTES: So moved.

16 POOLE: Second.

17 CHAIRMAN FUNDERBURG: Seconded by Mr. Pool e.
18 All in favor, please say aye.

19 (A chorus of ayes.)

20 CHAIRMAN FUNDERBURG: Any opposed?

1-12-17.txt
(No response.)

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22 CHAIRMAN FUNDERBURG: Thank you. Next up is
23 the presentation and consideration of the financial
24 reports. Ms. Granda?

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1 GRANDA: Good morning, everyone. I will be
2 presenting the financial statements for the six
3 months ending December 31st, 2016.

4 The Authority general operating fund is as
5 follows: Our total annual revenue equals
6 \$3.4 million and are \$894,000 or 36 percent higher
7 than budget, primarily due to our higher closing
8 fees.

9 In December, the Authority generated
10 \$337,000 in closing fees, which is \$46,000 higher
11 than the monthly budget of \$291,000. Our total
12 annual expenses are at \$1.6 million, and our
13 \$899,000 or 36.3 percent lower than budget, which is
14 mostly driven by the vacant budgeted staff positions
15 and our reduction on our professional spending.

16 In December, the Authority recorded
17 operating expenses of \$254,000, which is lower than
18 our monthly budgeted amount of \$412,000. The
19 decrease again is primarily due in
20 employment-related expenses and professional
21 services.

22 Our total monthly net income for December
23 is \$205,000. Our total annual net income for the
24 year so far stands at \$2.4 million. The major

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1 driver of this annual positive bottom line continues
2 to be the level of overall spending at 36.3 percent
3 below budget, as well as the higher closing and
4 administrative fees.

5 The Authority continues to maintain a
6 strong balance sheet. Our general fund has a net
7 position of \$56.2 million. Our total assets are at
8 \$56.5 million, consisting mostly of cash investments
9 and receivables.

10 Our unrestricted cash and investments
11 totals \$37.9 million. Our receivables are at
12 \$18.5 million of which \$16,000,000 is from the
13 former Illinois Rural Bond Bank. A listing of these
14 local governments is included in your Board book for
15 reference, along with a listing of our loans made
16 under our fire truck and ambulance revolving loan
17 funds.

18 As far as the state of Illinois assigned
19 purchased receivables, the report also can be
20 located in your Board packet. In December, the
21 Authority received payments in the amount of
22 \$227,000, which brings our balance now to \$101,000.
23 In January, so far the Authority has received about
24 \$1,400 in prompt payment interest and about \$6,000

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1 in principal payments.

2 The Authority continues to work with GOMB,

3 CMS and the other state agencies to collect the
4 outstanding principal balance of \$101,000 and the
5 accrued prompt payment interest of \$252,000.

6 As far as our IEPA relationship, our total
7 bond proceeds disbursement of the State of Illinois
8 revolving fund clean water initiative bond Series
9 2016 is at \$126,000,000. A listing of these
10 borrowers is included in your Board book for
11 reference. Total investments are now at \$342.8
12 million, with maturity dates through June of 2017.

13 Our accrued investment income for this
14 investment are at \$278,000. In January, so far we
15 have disbursed an additional \$50,000,000 of bond
16 proceeds for a total year to date of \$176.5 million
17 of bond proceeds that have been disbursed.

18 As the partnership continues to evolve, we
19 may have a revision to the memorandum of agreement
20 with the IEPA. We anticipate such a revision to be
21 brought to the Board in the future.

22 As far as our fiscal year 2016 financial
23 audit report, it should be released soon.

24 MEISTER: Later today.

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1 GRANDA: Later today. There is a memo to that.

2 MEISTER: Yes. We've not yet gotten the E-mail
3 from the Auditor General's Office.

4 GRANDA: Right now, I'll take the opportunity
5 just to give you some brief items that are coming
6 down for January. We anticipate closing fees from
7 Covenant Retirement Community in the amount of

8 \$107,000, and oak Park Resident Corp. for about
9 \$39,000, and we should also be receiving an annual
10 fee of \$15,000 from our Illinois Medical District.

11 Is there any questions?

12 CHAIRMAN FUNDERBURG: If there are no
13 questions, then I would like to ask for a motion to
14 accept the report.

15 BRONNER: So moved.

16 CHAIRMAN FUNDERBURG: Thank you. Is there a
17 second?

18 OBERNAGEL: Second.

19 CHAIRMAN FUNDERBURG: All in favor, please say
20 aye.

21 (A chorus of ayes.)

22 CHAIRMAN FUNDERBURG: Any opposed?

23 (No response.)

24 CHAIRMAN FUNDERBURG: Okay, thank you. Next
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1 up, Ms. Burn?

2 MS. BURN: My name is Denise Burn, and I'm
3 giving this procurement report in my capacity as
4 agency procurement officer. The main thrust of the
5 activity in the last -- since the last Board meeting
6 has been completion of our requests for proposals
7 for both Custodian Bank Custodian Services and also
8 for temporary staffing services.

9 Those two are at peace. The process has
10 been substantially completed, and we anticipate that
11 we will be entering into contracts with Amalgamated

12 Bank and with Premier Staffing Services, the
13 successful bidders in the RFP process.

14 In addition, we are preparing to initiate
15 RFPs with respect to -- excuse me, with respect to
16 our employee benefits network consulting services,
17 loan management services, and also insurance
18 brokerage services.

19 So those RFPs will continue to be worked
20 on and in process between now and the next Board
21 meeting, and I'll give you a report at that time.

22 You'll also notice that I do list on here
23 small purchases for through the end of June, and
24 that is to give you a sense of just what is coming

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1 up, in terms of the procurement process that my not
2 necessarily rise to the level of a request for
3 proposal.

4 Are there any questions?

5 CHAIRMAN FUNDERBURG: Thank you.

6 MEISTER: I'm sorry, I may have missed it. Did
7 we cover outside counsel?

8 BURN: Yes. Although we've recently got --
9 well, actually, in the last couple of days, got
10 permission to actually post our request for proposal
11 for legal services.

12 This is not a request for proposal for a
13 particular project, but the intent is to create
14 an approved counsel list in several different areas
15 where the agency needs counsel on an ongoing basis.
16 And, again, the RFP process is worth bearing in mind

17 takes approximately, in my experience, three months,
18 at a minimum. It could be even more.

19 And so the goal is to actually sign up a
20 number of the counsel that we deal with, and have
21 dealt with historically, and also other people who
22 may notice the request for proposal. So we can
23 actually sign them up and have them contractually
24 available to us as legal counsel in the coming --

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1 well, for another five years, I think we're signing
2 them up for.

3 And, again, the reason for that extended
4 time period is just given, you know, the length of
5 time of the RFP process, which is significant.

6 MEISTER: And I would also just like to note
7 it's not only the time of the process, but the
8 various representations and certifications that a
9 vendor needs to execute, in order to bring them
10 under contract with the State agency like the
11 Illinois Finance Authority.

12 And I would just also note that on the
13 topic of counsel, the Illinois Finance Authority is
14 a statutory body politic and corporate of the State.
15 It is one of the few State actors that have the
16 ability to retain its own counsel, rather than
17 relying on the State's Attorney General's Office.

18 The State Attorney General's Office agrees
19 with this assessment. The most notable other entity
20 like ours is the University of Illinois, which is

21 also a body politic and corporate.

22 BURN: Yes. This request for proposal is done
23 pursuant to the exemption that the IFA has with
24 respect to legal services. Excuse me. I would also

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1 point out that, you know, it may not happen. I
2 don't know if it will, but this request for proposal
3 has now been made public; and as Board Members, if
4 you should, by any chance, be contacted by anybody,
5 please just refer them to the procurement.

6 We are now in a quiet period where all
7 information with respect to the procurement really
8 should only come from the procurement folks and not
9 from any individual contact, you know, that they may
10 try to make.

11 CHAIRMAN FUNDERBURG: Thank you for making that
12 point, and thank you for your report. Are there any
13 other questions or comments?

14 Okay, thank you. Okay, next for committee
15 reports, I would like to report that the Executive
16 Committee met on this most recent past Tuesday to
17 consider and recommend compensation for Executive
18 Director of the Authority.

19 The Executive Committee reviewed materials
20 on Tuesday in closed session and voted unanimously
21 in open session to make a recommendation. This
22 recommendation will be presented as item No. 6 of
23 the Project Reports and Resolutions.

24 I would also like to note that the

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1 Executive Committee met for the same purpose on
 2 December 7th. So this was the second of a series of
 3 two meetings.

4 Next -- any questions on that? Next in
 5 item No. 9, I would like to ask for a general
 6 consent of the Members to consider the Project
 7 Reports and Resolutions collectively and have a
 8 subsequent recorded vote applied to each respective
 9 and individual Project and Resolution, unless there
 10 are any specific Project Reports or Resolutions that
 11 require that a Member would like to consider
 12 separately.

13 Okay, if there are none, then I would like
 14 to ask for the staff to go ahead and project the
 15 Project Reports and Resolutions.

16 EVANS: This is Patrick Evans. Good morning.
 17 And today we have four beginner farmer bonds. All
 18 bonds will have first mortgage position at the bank
 19 to utilize FSA beginning farmer program.

20 The first beginner farmer bond is Dominic
 21 A. Ginder, who is purchasing 37 acres of bare farm
 22 real estate. The total cost of the purchase is
 23 \$267,000 or \$7,216 per acre.

24 People's State Bank of Newton will retain
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1 a loan on 50 percent of the purchase price or
 2 \$135,500.

3 MEISTER: Patrick, please speak up.

4 EVANS: Okay. Sorry about that. IFA will
5 provide a beginner farmer bond to the bank, who will
6 maintain a first position through the bank utilizing
7 the FSA 5/45/50 loan program. The terms of the bond
8 is identified in the writeup. The property is
9 located in Jasper County.

10 The next beginner farmer bond is Jacob
11 Niehaus, who is purchasing 120 acres of bare real
12 estate. The total purchase price is \$968,400, or
13 \$8,220 per acre.

14 First National Bank will retain a loan on
15 52.7 percent or \$520,000 of the purchase price. IFA
16 will provide a beginner farmer bond to the bank, who
17 will maintain a first position through the bank
18 utilizing the FSA beginner farmer program. The
19 terms of the bond is identified in write-up and the
20 property is located in Montgomery County.

21 The third beginner farmer bond is
22 Christopher M and Jessica L. Scaggs, who are
23 purchasing 56 acres of bare farm real estate. Total
24 cost of this purchase is \$385,000. People's State

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1 Bank of Newton will retain a loan on 50 percent or
2 \$192,500 of the purchase price.

3 IFA will provide a beginner farmer bond to
4 the bank, who will maintain a first position with
5 the bank, utilizing the FSA 50/50 loan product. The
6 terms of the bond are identified in the writeup, and
7 the property is located in Lawrence County.

8 The final beginner farmer bond is to Blake
9 A. Edwards, who is purchasing 119.8 acres of bare
10 farmland. The total cost of this purchase is
11 \$1,062,482. The bank -- the Midwest Bank in
12 Monmouth will retain 49.34 percent of this purchase
13 or \$524,200. IFA will provide a beginner farmer
14 bond to the bank, who will maintain a first mortgage
15 position through the bank utilizing the FSA beginner
16 farmer program.

17 The terms of the bond will be identified
18 in the writeup. The property is located in Warren
19 County. Is there any questions? If not, I'll
20 return it to you.

21 CHAIRMAN FUNDERBURG: Thank you, Patrick.
22 Next, please.

23 LENANE: The Director would like me to first,
24 before we go to tab 2, bring you up to date on a
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1 pricing, which is the sale of the bonds that
2 occurred yesterday for Edward Elmhurst Hospital,
3 which is an A-rated hospital, and everybody was very
4 nervous about going into the market because no one
5 knows exactly what the market is doing.

6 The stock market is going up. The bond
7 market is really up and down, but the Edward
8 Elmhurst Hospital rated A sold approximately
9 \$198,000,000 in bonds at an all-in true interest
10 cost of 4.21 percent, which is very good.

11 This financing will result in a present

12 value savings of approximately to the hospital
13 \$29,000,000 over the life of the bonds, and the
14 hospital's annual savings is approximately
15 \$2,000,000. So it was a very nice transaction.
16 They were very happy.

17 CHAIRMAN FUNDERBURG: That's great.

18 LENANE: Yep. So tab 2, Franciscan
19 Communities, Inc., is seeking a Preliminary Bond
20 Resolution to approve the issuance of a Series of
21 tax-exempt bonds in Illinois, Indiana and Ohio in
22 the amount of approximately \$100,000,000.

23 We are issuing these bonds under our
24 multi-state authority. A portion of the bonds will

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1 be sold in a public underwriting by BB&T, and a
2 portion will be directly purchased by one bank or
3 several banks to be selected by Franciscan and
4 identified to the Board when we do the final
5 resolution.

6 The bond proceeds will be used to refund
7 all or a portion of the Illinois Finance Authority
8 Series 2004 B bonds, 2007 A bonds, and the 2013 B
9 bonds. The proceeds will also be used to refund the
10 County of Cuyahoga, Ohio, Healthcare Facility
11 Revenue Bonds Series 2004 C and D.

12 The bond proceeds will also be used to
13 finance or refinance or reimburse Franciscan and the
14 University Place, which is an affiliate of theirs,
15 for the cost of renovating a skilled nursing
16 facility at the Village in Victory Lakes, Wheeling,

17 Illinois, for the cost of renovating portions of
18 St. Joseph's Village in Chicago, for renovating
19 portions of Franciscan Village in Lemont, Illinois,
20 and for capital improvements at St. Anthony home in
21 Crown Point, Indiana, and University Place in West
22 Lafayette, Indiana, and for construction and
23 equipment of a 11,000 square-foot addition to Mount
24 Alverna Village in Parma, Ohio.

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1 Franciscan has locations here in Chicago,
2 Lindenhurst, Lemont, Wheeling, Homer Glen, Crown
3 Point, West Lafayette, Indiana, and Parma, Ohio.

4 The eight facilities operated by the
5 Franciscans total 1,948 units consisting of 476
6 entrance fee units, independent living units, 27
7 rental independent living units, 339 assisted living
8 units, 68 memory care units and 808 skilled nursing
9 beds.

10 The bonds will be underwritten by BB&T, as
11 I mentioned. Currently, Franciscan is rated BBB
12 minus, and they expect to have that rating confirmed
13 for the sale of the bond.

14 If you look at their fiscal -- at their
15 finances at the end of their fiscal year 2016,
16 Franciscan had good debt service ratio of 2.09 and
17 267 days cash on hand.

18 Are there any questions?

19 CHAIRMAN FUNDERBURG: Okay, thank you.

20 LENANE: Thank you.

21 FRAMPTON: Good morning, everyone. I'm Rich
22 Frampton. I'll be presenting two resolutions, which
23 may be found at tabs 3 and 4 in your Board book.

24 The first item is tab 3, which is a
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1 resolution relating to Pi asa, although it's
2 P-i-a-s-a, I've been advised the proper
3 pronunciation is Pi asa, Pi asa Township Sewer
4 District, in its Series 1999 bonds, which are owned
5 by the Illinois Finance Authority.

6 The current outstanding amount is \$30,000.
7 IFA has owned these bonds since defeasing the former
8 Illinois Finance Authority, Illinois Rural Bond Bank
9 local government pool bond issues back in June of
10 2014.

11 Effectively, when IFA took out the IFA
12 pool bond bank bonds from the market, the underlying
13 securities, including this bond issue for Pi asa,
14 were all taken into effectively as an IFA direct
15 portfolio investment or direct loan.

16 So we have an outstanding principal
17 balance of \$30,000. In recent years, the District
18 has been managing with tight cash flows. For the
19 last two or three years, they have been -- they've
20 been calling us in advance, just to let us know that
21 they might not be able to make the full payment.
22 They've always been able to come through.

23 One of the principal reasons for that is
24 this District is very small. It serves a rural

1 subdivision. The District, itself, was established
2 in 1974 to serve as two or three residential
3 subdivisions located approximately five miles north
4 of Alton.

5 They've always been self-managed. A sewer
6 district like this has to deal with the
7 Environmental Protection Agency. It's a difficult
8 business to run, as a do-it-yourself project.

9 A few years ago, in connection with the
10 construction of high speed rail through a nearby
11 community, their sewer lines were disrupted,
12 resulting in the district having to replace and
13 repair the lines and undertake additional debt.

14 In addition to the IFA bond, or the bond
15 -- the \$30,000 in bonds that are due to IFA, they
16 also have a \$50,000 bank loan due to C&B Bank of
17 Jerseyville.

18 The District trustees have been thinking
19 about how to solve the problem for quite some time
20 and the challenges just managing a district. So in
21 November, the trustees of the District approved a
22 resolution that would do two things: Number one,
23 put a voter of referendum on the ballot in April to
24 dissolve the District; and secondly, to authorize

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1 the trustees of the District to negotiate the sale
2 of the system to Illinois American Water.

3 In terms of where things are now, on
4 December 20th, the Circuit Court of Jersey County,
5 the Judge of the Circuit Court issued an order
6 authorizing a voter referendum that resulted from a
7 petition, which was signed by 92 out of the 120
8 households that are customers of the District.

9 Additionally, the District and Illinois
10 American Water expect to complete negotiation of the
11 asset sale next week. And upon completion of
12 negotiating the sale contract, they will immediately
13 submit the sale contract to the Illinois Commerce
14 Commission for consideration. Their expectation is
15 that the ICC will approve the sale of the District
16 in September, at which point the IFA bonds would be
17 repaid in full.

18 In the meantime, the District, again, as I
19 reported initially, is not sure that they will be
20 able to make the full payment of \$15,810 that is due
21 on February 1st of 2017.

22 So what I have presented for your
23 consideration is a resolution, and as well as a
24 draft forbearance agreement that would waive any

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1 payment default by the District until such time as
2 -- until the sooner of the date on which they sell
3 the assets of the District to Illinois American
4 Water; or, alternatively, February 1st, 2018, which
5 is the existing final maturity date on the bonds.

6 And in addition to making full payment on
7 not just the principal that is due, but the interest

8 that is due, associated with all three remaining
9 payments, which totals \$31,620, pursuant to
10 Section 2.3 of the forbearance agreement, which is
11 on page 8 of the report, the District has also
12 agreed to cover any out-of-pocket legal fees, as
13 well as staff time, either by legal counsel or by
14 general staff of the Authority.

15 They understand that the charge will be --
16 you know, they expect the charge to be nominal. So
17 we will be able to recover our direct costs in
18 preparing the memo and any other -- and any other
19 due diligence that's necessary between the time --
20 between now and the date of the sale.

21 So given the small principal amount, we
22 don't believe it's prudent to charge the District
23 any penalty for late payment. In return for that
24 consideration, they have agreed to make the full

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1 payment due -- that would otherwise be due on
2 2-1-2018. We will not be prorating their interest
3 to give to allow for that.

4 So we think this is a practical and
5 pragmatic solution. Counsel for the District has
6 reviewed the resolution and the forbearance
7 agreement and did not have any substantive comments.

8 And with that, I'm ready to take any
9 questions you may have.

10 MEISTER: Before the questions, I just want to
11 quickly compliment Rich on the preparation of this

12 complex matter. As I noted in the message from the
13 Executive Director, this is an issue far beyond the
14 30 plus thousand dollars that is owed to the
15 Authority.

16 I'll also just note that the Authority,
17 several years ago, also on a project that Rich and
18 Brad worked on, had a hand in both the payoff of the
19 East St. Louis bonds and the ultimate dissolution
20 and elimination of the East St. Louis Municipal
21 Supervisory authority. I think I may be getting the
22 name wrong.

23 I know that George Obernagel on our Board
24 served on Lieutenant Governor Sanginetti's

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1 commission that resulted in a lengthy report on the
2 elimination and consolidation of Illinois units of
3 local government. I think in that report there were
4 probably three different estimates --

5 OBERNAGEL: Yes.

6 MEISTER: -- of the actual number ranging
7 between 6800 just over 7,000. So the IFA has been
8 involved with the elimination of at least two of
9 these, and when we were created in '04 by the
10 General Assembly, that resulted in the elimination
11 of six other statutory entities.

12 And the one additional agency that has
13 been created by the General Assembly, since we've
14 been in existence, the Metro East Police Authority,
15 the General Assembly asked us to be the fiscal
16 agent, which I think cut down on costs and back

17 office work. So just to put it in a little bit of
18 context.

19 CHAIRMAN FUNDERBURG: Okay, thank you.

20 FRAMPTON: Just one other thing. The interest
21 rate borne on the bonds is 5.4 percent. So by
22 extending the \$30,000 out for a year, we're
23 effectively earning 2.7 percent, and it will be a
24 little bit more than that, if you consider the fact

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1 we're only expecting the bonds to be outstanding for
2 nine months.

3 So a 2.7 percent effective return is much
4 better than -- is still much better than we would be
5 earning in our treasury.

6 CHAIRMAN FUNDERBURG: Okay.

7 KNOX: One quick question.

8 CHAIRMAN FUNDERBURG: Please.

9 KNOX: So this is all -- I mean, obviously
10 we're helping with the workout, but is this also to
11 help with the purchase of the system from Illinois
12 Water?

13 FRAMPTON: No. I'm glad -- just Illinois
14 American Water will actually be -- they've agreed to
15 a purchase price on this equal to the -- equal to
16 the assumption of debt. So the purchase price will
17 be roughly \$82,000.

18 KNOX: Okay.

19 FRAMPTON: On the 120 connections. So that is
20 \$683 per customer. So that's the basis under which

21 Illinois American is financing this. This
22 particular sewer district does not treat any sewage.

23 They just pipe it and transport it to a
24 treatment plant that in an adjoining community that

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1 American operates. So we have had other situations
2 similar to this in the past. The City of Grafton,
3 for example.

4 Also, in the Alton District for Illinois
5 American, they sold their system to Illinois
6 American. 18 months later, IFA issued bonds for
7 Illinois American that financed a number of
8 improvements to the Grafton water system. So the
9 acquisitions cannot be bond financed by IFA, but
10 subsequent improvements can.

11 KNOX: Okay.

12 CHAIRMAN FUNDERBURG: Thank you.

13 FRAMPTON: Any other questions?

14 CHAIRMAN FUNDERBURG: Thank you.

15 FRAMPTON: Okay. Next I'll move on to tab 4,
16 which is a resolution of intent requesting an
17 initial allocation of calendar year 2017 private
18 activity bond volume cap in the amount of
19 \$100,000,000 to be used prospectively to allow IFA
20 to issue tax-exempt industrial revenue bonds and
21 beginning farmer bonds during calendar year 2017.

22 For those of you who are longer-term Board
23 Members, you'll be familiar with this drill. At the
24 beginning of each year, the Governor's Office of

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1 Management of Budget request that the governing
 2 board of each state conduit bond issuing authority
 3 file a certified resolution of intent to request a
 4 private activity volume cap for the year in order to
 5 enable the issuer to conduct business.

6 For IFA obtaining these allocations early
 7 in the years are particularly critical because the
 8 two categories of private activity bonds that IFA
 9 has focused on; namely, the beginning farmer bonds
 10 and industrial revenue bonds, are really anomalies
 11 under the Internal Revenue Code.

12 They are the only two categories of
 13 private activity bond projects that are not eligible
 14 to use volume cap that's carried forward from
 15 previous years. So unless and until IFA receives an
 16 allocation, the four beginning farmer bonds that
 17 were presented can't close, even if everything else
 18 is in order. So that's the rationale and purpose of
 19 the request.

20 Next, I'm just going to review some
 21 background and historical perspective on what volume
 22 cap is, and how demand has changed over time. First
 23 of all, what is volume cap? Volume cap was a
 24 concept introduced into the Internal Revenue Code

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1 under the Deficit Reduction Act of 1984.

2 The whole purpose of providing volume cap

3 on a project on municipal bonds issued for projects
4 where the underlying borrower is a tax-paying entity
5 was to limit the loss to the -- the loss of revenue
6 to the U.S. Treasury.

7 So going back to the mid '80s, the whole
8 rationale for creating volume cap was to limit the
9 amount, the dollar amount of municipal bonds issued
10 for tax-paying corporate entities of various kinds.

11 On page 2 of the report, I have listed the
12 various types of private activity volume cap bonds
13 for tax-paying entities that IFA issues and has
14 issued over time. Aside from beginning farmer bonds
15 and industrial revenue bonds, we can issue bonds for
16 water utilities, two of the gas utilities in the
17 state. We can issue student loan revenue bonds,
18 mass commuting facilities and other uses.

19 All the uses, aside from industrial
20 revenue bonds and beginning farmer bonds, however,
21 can be financed from unused volume cap that we have
22 carried forward from previous years.

23 For example, from 2016, we will have
24 roughly \$90,000,000 of unused allocation. We would

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1 be able to use that \$90,000,000 for any of the
2 categories listed on page 2, except for industrial
3 revenue bonds and beginning farmer bonds. So we can
4 -- by managing our allocation, we can run -- we can
5 run both sides of -- we can run all of our volume
6 cap projects.

7 In terms of the allocation that's
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8 available to the State, the IRS allows each state to
9 issue up to one \$100 per capita per year. So the
10 state as a whole has \$1.28 billion to allocate. Out
11 of that \$1.28 billion, the Governor's Office of
12 Management and Budget has roughly \$234,000,000 that
13 is available to allocate to state bond issuing
14 authorities, which include IFA, the Housing
15 Development Authority, the Student Assistance
16 Commission, and the regional versions of IFA, such
17 as the Southwestern Illinois Development Authority.

18 So there are several other issuers who
19 normally will be applying for allocation. For many
20 years, student loans were the primary user of the
21 private activity volume cap, and until roughly 10
22 years ago, the demand was always tight.

23 And, typically, our manufacturing
24 borrowers had to wait six to nine months for an

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1 allocation before they could actually close their
2 deal. However, at that time because the interest
3 rate spreads that were attributable to savings
4 obtainable through IRBs made motivated borrowers to
5 proceed with financings much more than now.

6 So for roughly the last 10 years, volume
7 cap really hasn't been an issue. We've been able to
8 finance pretty much every project as it's been
9 ready. So it's a good news/bad news story, though.
10 Although people don't have to wait, we're also not
11 generating \$150,000,000 or \$250,000,000 as we did

12 many years ago. Just in terms of what IRB issuances
13 perspective do for our bottom line, the most
14 recent time we had a big year was 2007.

15 That year, we issued roughly \$150,000,000
16 of IRBs for 26 projects. We charge a 77 basis-point
17 fee on those issuances. So that \$150,000,000 in
18 transactions generated \$1,150,000 in fees.

19 So just in terms of our business model,
20 being able to issue these private activity bonds for
21 corporate projects is, on a dollar-for-dollar basis,
22 the most profitable activity the Authority has.

23 CHAIRMAN FUNDERBURG: Rich, if I may just
24 interrupt for a second. I also, building on what

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1 you just said, it's my opinion that IRS are
2 oftentimes the most impactful sources of funding
3 that can be available, especially for creating jobs
4 in the manufacturing sector.

5 Why is it that you think there's been a
6 decrease in demand for that particular product?

7 FRAMPTON: On page 3 of the report, I've
8 outlined some of the reasons -- some of the key
9 reasons for the diminished demand. The fact is
10 diminishment has not just hit IFA. It's affected
11 all our counterparts nationally.

12 And, you know, I was really kind of, you
13 know, not exactly pleasantly surprised when I found
14 this out, but in 2014, IFA was actually ranked as
15 the number one issuer of industrial revenue bonds
16 nationally. We issued 39.4 million in 2014.

17 You know, the factors that have
18 contributed to this drop in demand have been, number
19 one, the diminished taxable/tax-exempt spreads. As
20 long as we're in a low-interest rate environment,
21 those spreads will be tight.

22 Unfortunately, on the manufacturing and
23 all the corporate projects, any assets that are
24 financed with tax-exempt bonds or industrial revenue

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1 bonds are subject to straight-line depreciation.
2 That, in particular, can affect demand on equipment.

3 The other thing that adversely affects
4 demand on equipment is frequently the term of
5 financing that the banks will approve on equipment
6 is only five to seven years. So the benefit of --
7 the dollar benefit of using bonds on the equipment
8 portion of a project ends up being very marginal.

9 And most of the projects we've seen over
10 the last six or seven years have actually, with the
11 exception of one, where the principals of the
12 company formed an LLC to lease the equipment back to
13 themselves, with the exception of that equipment
14 ownership structure, every single deal we've done
15 since 2009 has just been a real estate deal.

16 So because of the \$10,000,000 issuance
17 limit on industrial revenue bonds, and the six-year
18 \$20,000,000 capital expenditure limit on any project
19 that's financed with industrial revenue bonds, at
20 least in the Chicago market, that \$20,000,000 limit

21 is very problematic because basically what it says
22 is for any company that borrows with industrial
23 revenue bonds, the maximum amount of expenditures
24 that can be incurred corporate wide, including any

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1 affiliates within the same county, cannot exceed
2 \$20,000,000.

3 But it's not just the time the project is
4 undertaken. The limit actually extends to all
5 expenditures undertaken, irrespective of how they
6 are financed, going three years prior to the date
7 the bonds are issued and going three years forward.

8 So, for example, if we had a company that
9 where we issued \$10,000,000 in bonds, July 1, 2017,
10 pursuant to this \$20,000,000 limitation, they would
11 -- they could not invest more than an additional
12 \$10,000,000 in equipment, any other building
13 improvement, in the whole county. And in Cook
14 County, that can be problematic, because a company
15 may have more than one facility.

16 So we've been working with our national
17 organization, the Council of Development Finance
18 Agencies, to update these outmoded limits. You
19 know, Chris and I have worked with Congressman
20 Hultgren's office. We've reached out to the Ways
21 and Means Members as well, both senators to try to
22 build momentum to get these things changed.

23 And the way I see it, there are really two
24 parts to the fix. The first part is fixing the

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1 outmoded \$10,000,000 issuance limit and \$20,000,000
2 capital expenditure limit.

3 As a result of that \$20,000,000 limit, we
4 really can't finance any project where the -- we
5 can't finance any project where the anticipated
6 spending is even over \$15,000,000, because within
7 that six-year period, it's almost certain that they
8 will have incurred another five. So that's one
9 thing we have to fix.

10 CHAIRMAN FUNDERBURG: Rich, thank for you that.
11 I would certainly encourage you and the rest of the
12 team to continue to work towards that end.

13 FRAMPTON: And then the second thing is, you
14 know, we need the economy to improve, and for
15 interest rates to increase a bit because that just
16 -- an increase in rates is not always good, but, you
17 know, back in the mid to late '80s, when prime was
18 11 or 12 percent, we had borrowers who were happy to
19 get variable rates of six or six-and-a-half percent
20 at that time.

21 You know, they wished they could fix the
22 rate at that time. So as the spreads improve, and
23 if the economy is good, and we fix these
24 long-standing spending limits, some of which haven't

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1 been changed since the mid '80s, we can get this
2 program easily back on track.

3 And the fact of the matter is all the
4 banks out there are familiar with how bonds work as
5 a tool. The same banks we work with on 501(c)(3)
6 projects also have financed projects for
7 manufacturers, and we believe that with those fixes,
8 we'll have good viable product again that with a
9 little push from us will ultimately sell itself.

10 CHAIRMAN FUNDERBURG: Okay. Thank you again, I
11 encourage you continuing going forward with that.

12 FRAMPTON: Okay, thank you.

13 CHAIRMAN FUNDERBURG: All right. Thank you.
14 Ms. Burn?

15 FLETCHER: Mr. Chairman, for the record, I
16 would like to note that Member Anderberg terminated
17 his participation via audio conference at 10:10 a.m.

18 CHAIRMAN FUNDERBURG: Okay thank you.

19 BURN: In resolution No. 5, we present for your
20 consideration a resolution approving contracts to be
21 entered into in connection with the two successful
22 RFPs that we spoke about earlier in the procurement
23 report, and that is a contract with Amalgamated Bank
24 of Chicago, with respect to custodian services, and

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1 a contract with Premier Staffing Source, Inc., with
2 respect to temporary staffing services. Any
3 questions?

4 CHAIRMAN FUNDERBURG: Okay, thank you.

5 BURN: Okay.

6 CHAIRMAN FUNDERBURG: Next, and under item
7 No. 6, I would like to and am pleased to present the

8 resolution regarding compensation of the Executive
9 Director of the Illinois Finance Authority.

10 This resolution provides for an increase
11 of 5 percent to the annual salary of the Executive
12 Director as unanimously recommended by the Executive
13 Committee.

14 I would like to ask for a request or I
15 would like to request a motion to pass and adopt the
16 following Project Reports and Resolutions: Item 1A,
17 1B, 1C, 1D, 2, 3, 4, 5 and 6. Is there such a
18 motion?

19 OBERNAGEL: I'll make a motion.

20 FUENTES: Second.

21 CHAIRMAN FUNDERBURG: Okay, second. Any
22 discussion? All in favor, please say aye.

23 (A chorus of ayes.)

24 CHAIRMAN FUNDERBURG: Any opposed?

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1 (No response.)

2 CHAIRMAN FUNDERBURG: Excuse me, roll call.

3 FLETCHER: Certainly. On the motion by

4 Mr. Obernagel and seconded by Mr. Fuentes, I'll call
5 the roll.

6 Ms. Bronner?

7 BRONNER: Yes.

8 FLETCHER: Mr. Fuentes?

9 FUENTES: Yes.

10 FLETCHER: Mr. Goetz on the phone?

11 GOETZ: Yes.

12 FLETCHER: Mr. Horne?
13 HORNE: Yes.
14 FLETCHER: Ms. Juracek on the phone?
15 JURACEK: Yes.
16 FLETCHER: Mr. Knox?
17 KNOX: Yes.
18 FLETCHER: Mr. McCoy on the phone?
19 McCOY: Yes.
20 FLETCHER: Mr. O' Bri en?
21 O' BRI EN: Yes.
22 FLETCHER: Mr. Obernagel ?
23 OBERNAGEL: Yes.
24 FLETCHER: Mr. Pool e?
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1 POOLE: Yes.
2 FLETCHER: Ms. Smoots?
3 SMOOTS: Yes.
4 FLETCHER: Mr. Zeller?
5 ZELLER: Yes.
6 FLETCHER: And Chairman Funderburg?
7 CHAIRMAN FUNDERBURG: Yes.
8 FLETCHER: Mr. Chairman, the motion carries.
9 CHAIRMAN FUNDERBURG: Thank you. Next is other
10 business. I would ask if there is any business to
11 come before the Members?
12 BRONNER: Yes, Mr. Chairman. If it pleases the
13 Board, I would like to read a statement into the
14 record.

15 This statement serves as an accommodation
16 of the service of Mr. Christopher Meister during his

17 tenure as Executive Director of the Illinois Finance
18 Authority.

19 Mr. Meister executes the duties of his
20 position with exemplary levels of diligence and
21 professionalism. He has long viewed public service
22 as a privilege, and this is reflected in the
23 commitment he demonstrates in all facets of his work
24 responsibilities. He is a creative problem solver,

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1 always working to build understanding, acceptance
2 and consensus for Authority programs and
3 initiatives.

4 He has a tireless work ethic and a
5 willingness to do whatever it takes to create
6 products and effectuate solutions to transform the
7 Authority's vision into reality.

8 During this current time of serious
9 financial challenge for the State of Illinois,
10 Mr. Meister has led the Authority in providing key
11 financial assistance on life safety and financial
12 issues within its statutory mission in a transparent
13 and accountable manner.

14 More broadly, his collaborative approach
15 has enhanced the success of the Authority in
16 supporting job creation and financing capital
17 expansion projects throughout the State of Illinois.

18 As Board Members, we are privileged to
19 work closely with Mr. Meister on a regular basis.
20 We can always depend on his going the extra mile to

21 ensure that we are informed about and prepared for
22 any and all matters that might be of import to the
23 Members and the Authority in general.

24 He is also incredibly generous with his
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1 time and expertise, ensuring that each Board Member
2 has the opportunity to meet one on one with him or
3 any other member of the Authority staff.

4 It is with gratitude and enthusiasm that
5 we, the Board Members of the Illinois Finance
6 Authority, recognize and acknowledge the dedication,
7 contributions and leadership of Mr. Christopher
8 Meister.

9 CHAIRMAN FUNDERBURG: Thank you.

10 BRONNER: That ends the statement,
11 Mr. Chairman.

12 CHAIRMAN FUNDERBURG: Thank you very much. And
13 I sincerely second that.

14 O'BRIEN: Question, did Mr. Meister compose
15 that?

16 CHAIRMAN FUNDERBURG: Thank you for your
17 question, and the answer is no. I know many, many,
18 if not all of our Members, feel exactly the same or
19 very similar to the words that Gila wrote on behalf
20 of our Board and sincere thanks for that.

21 And I echo that, Chris. I also at this
22 point would like to reiterate my thanks, sincere
23 thanks, to the volunteer body of the Illinois
24 Finance Authority for all of your effort in helping

1 us have a very positive impact on the State of
2 Illinois.

3 MEISTER: I would like to thank you, Mr.
4 Chairman, and Vice-Chairman Bronner, and all the
5 Members for that vote of confidence. It means the
6 world to me. Thank you.

7 CHAIRMAN FUNDERBURG: You're very welcome.

8 BRONNER: Thank you.

9 CHAIRMAN FUNDERBURG: I next would like to ask
10 is there any other business to come before the
11 Board? You mentioned your report.

12 MEISTER: No, no, I'm done with my report, but
13 I do have one piece of news for the Members of the
14 Authority. It's my understanding that Bob Horne's
15 senate confirmation is being considered by the floor
16 -- on the floor of the Illinois Senate as we speak,
17 and we anticipate an aye vote for his confirmation.
18 Congratulations, Mr. Horne.

19 HORNE: How long was that, a year?

20 CHAIRMAN FUNDERBURG: All right. So again,
21 Gila, thank you so much for doing that and for
22 having that good idea. I would like to ask then for
23 a request a motion to excuse the absences the of the
24 Members unable to participate. Is there such a

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1 motion?

2 ZELLER: So moved.

3 CHAIRMAN FUNDERBURG: Second?
4 KNOX: Second.
5 CHAIRMAN FUNDERBURG: All in favor, please say
6 aye.
7 (A chorus of ayes.)
8 CHAIRMAN FUNDERBURG: Any opposed?
9 (No response.)
10 CHAIRMAN FUNDERBURG: It's time for public
11 comment. Any public comments from the group? On
12 the phone?
13 Hearing none, then, I would like to point
14 out that our next regular scheduled meeting is for
15 February 9th, 2017. With that, I would like to ask
16 for a motion to adjourn our meeting.
17 HORNE: So moved.
18 CHAIRMAN FUNDERBURG: It's a tie.
19 POOLE: Second.
20 CHAIRMAN FUNDERBURG: Who?
21 FLETCHER: Motion by Mr. Horne, seconded by
22 Mr. Pool e.
23 CHAIRMAN FUNDERBURG: Great. Thank you. All
24 in favor?

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1 (A chorus of ayes.)
2 CHAIRMAN FUNDERBURG: Any opposed?
3 (No response.)
4 CHAIRMAN FUNDERBURG: The meeting is over.
5 FLETCHER: The time is 10:29 a.m.
6 (WHICH WERE ALL THE PROCEEDINGS HAD.)
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1 STATE OF ILLINOIS)
2 COUNTY OF COOK) SS:

3
4 PAMELA A. MARZULLO, C. S. R., being first duly sworn,
5 says that she is a court reporter doing business in the city
6 of Chicago; that she reported in shorthand the proceedings
7 had at the Proceedings of said cause; that the foregoing is
8 a true and correct transcript of her shorthand notes, so
9 taken as aforesaid, and contains all the proceedings of said
10 hearing.

11

PAMELA A. MARZULLO

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Li cense No. 084-001624

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