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ILLINOIS FINANCE AUTHORITY BOARD  
PUBLIC NOTICE OF DIRECT AND ALTERNATIVE FINANCING  
COMMITTEE MEETING  
June 8th, 2016, at 11:15 a.m.

Report of Proceedings had at the Meeting of the  
Illinois Finance Authority Board Meeting, Public Notice of  
Direct and Alternative Financing Committee Meeting on June  
8th, 2016, at the hour of 11:15 a.m., pursuant to notice, at  
160 North LaSalle Street, Suite S1000, Chicago, Illinois.

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1 APPEARANCE:  
2 COMMITTEE MEMBERS

3 MR. LERRY KNOX, Chair  
MR. LYLE McCOY  
4 MR. ROGER POOLE  
MS. ARLENE JURACEK  
5 MR. BRADLEY ZELLER (Via audio conference)  
MR. ERIC ANDERBERG (Via audio conference)  
6 R. ROBERT FUNDERBURG, Ex-Offi cio (Via audio conference)

7

8 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

9 MR. BRAD FLETCHER, Assi stant Vi ce-Presi dent  
MR. RICH FRAMPTON, Vi ce-Presi dent  
10 MS. PAMELA LENANE, Vi ce-Presi dent  
MS. ELIZABETH WEBER, General Counsel  
11 MR. CHRISTOPHER B. MEISTER, Execu ti ve Di rector  
MR. PATRICK EVANS, Agri cul tural Banker  
12 MS. SIX GRANDA, Control ler

13 GUESTS:

14 Mr. HAVEN ALLEN  
MR. BILL FIENUP

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1 CHAIRMAN KNOX: It is approxi mately 11:15. I  
2 would like to call the meeting to order. Will the  
3 Assistant Secretary please call the roll?

4 FLETCHER: Certain ly. Mr. Anderberg on the  
5 phone?

6 ANDERBERG: Here.

7 FLETCHER: Ms. Juracek?

8 JURACEK: Here.  
9 FLETCHER: Mr. Knox?  
10 CHAIRMAN KNOX: Here.  
11 FLETCHER: Mr. McCoy?  
12 McCOY: Here.  
13 FLETCHER: Mr. Pool e?  
14 POOLE: Here.  
15 FLETCHER: Mr. Zeller?  
16 ZELLER: Here.  
17 FLETCHER: And Mr. Funderburg as ex-offi cio  
18 non-voti ng?  
19 FUNDERBURG: Here.  
20 FLETCHER: Mr. Chair man, we have a quorum at  
21 thi s time.  
22 CHAIRMAN KNOX: Thank you. Does anyone wi sh to  
23 make any addi tions or edi ts or correcti ons to the  
24 mi nutes from December 10th?

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1 Hearing none, I would like to request a  
2 moti on to approve the mi nutes.  
3 JURACEK: So moved.  
4 POOLE: Second.  
5 CHAIRMAN KNOX: All those in favor?  
6 (A chorus of ayes.)  
7 CHAIRMAN KNOX: Opposed?  
8 (No response.)  
9 CHAIRMAN KNOX: The ayes have it. At thi s time  
10 I would like to get to the Presentati on and  
11 Consi derati on of the Project Reports and

12 Resol uti ons.

13 I would liked to ask for the general  
14 consent of the Members to consider the Project  
15 Reports and Resol uti ons collecti vely, and to have  
16 the subsequent recorded vote applied to each  
17 respecti ve indi vi dual project and resol uti on, unless  
18 there are any speci fi c Project Reports and  
19 Resol uti ons that a member would like to consider  
20 separatel y.

21 Hearing none, I would like to ask the  
22 staff to now present the Project Reports and  
23 Resol uti ons, whi ch wi ll be consi dered collecti vely.  
24 Executi ve Di rector Meister, I understand we have

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1 guests today.

2 MEISTER: Yes. Mr. Chairman, I would like to  
3 introduce Mr. Randy Kowal ski. Randy?

4 KOWALSKI: Hello.

5 MEISTER: He is DCEO Deputy Director of the  
6 Bureau of Entrepreneurship and Innovation. I've  
7 asked him to attend today's meeting, in order to  
8 encourage producti ve worki ng rel ati onshi ps and  
9 partnerships between the Authority and IFA. So  
10 wel come.

11 KOWALSKI: Thank you, Chris.

12 MEISTER: I also have invited Mr. Bill Fi enup,  
13 Presi dent of Catal yze Chi cago, not-for-profi t, and  
14 Mr. Haven Al len wi th Worl d Busi ness Chi cago.  
15 They're going to be here to discuss the mHub Agenda  
16 I tem 4 today.

17 CHAIRMAN KNOX: Fantastic.

18 ALLEN: Thank you.

19 CHAIRMAN KNOX: Mr. Evans, you can proceed.

20 EVANS: Sure. Today I have one Ag credit, Ag  
21 restructure guarantee. Before I start into the  
22 presentation, I would hope that, you know, I can  
23 pass on what I've learned in my 30-year career in  
24 that each loan we treat as if it is our own money.

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1 And I hope that, you know, everybody  
2 perceived it that way. Today we have a request from  
3 Flanagan State Bank is for \$357,588 as an Ag  
4 restructure guarantee. The bank is preposing a  
5 loan, which is twofold. The first is to consolidate  
6 existing equipment debt through one loan that would  
7 be amortized over seven years with FSA guaranteeing  
8 it.

9 The second one will be with a -- with IFA  
10 guaranteeing, excuse me. Using the acronyms, I'm  
11 not always -- I get confused sometimes.

12 The second loan is an FSA 90-percent loan,  
13 in which FSA will be taking in loan \$1.3 million,  
14 consolidating all the real estate into one.

15 Through these actions, the borrower would  
16 be able to lower his debt requirements by about  
17 \$75,000, improving the cash flow, and Flanagan Bank  
18 would become the sole provider of the credit for  
19 this borrower.

20 IFA prefers to obtain real estate for

21 their guarantees; however, the borrower's real  
22 estate is being pledged as security for the  
23 \$1.3 million FSA guarantee.

24 Just a little history on Flanagan Bank.

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1 Flanagan Bank is a small \$171,000,000 bank with loan  
2 deposit of 61 percent, equity of \$17,000,000. Total  
3 debt to this borrower will reach about \$3,000,000.  
4 Through this action, IFA will mitigate some of the  
5 risk to this small Ag bank.

6 Going on to the borrower, I think that we  
7 need to talk about the five Cs: Character,  
8 capacity, capital, collateral and condition. The  
9 borrower character, farming is his livelihood. He's  
10 been a farmer for over 30 years.

11 He has supported himself through the  
12 farming activities. He has a good relationship with  
13 the bank. Capital, over the years, the farmer --  
14 this borrower has built 2.5 million in equity,  
15 mainly equipment and land.

16 The borrower maintains about 50-percent  
17 equity, meaning that he does have skin in the game.  
18 The debt has increased over the past year by about  
19 \$445,000; however, he's purchased over \$650,000 in  
20 that same period.

21 Capacity, per the tax return 2004 was a  
22 poor year; however, in other years, the borrower has  
23 generated sufficient funds to service debt with a  
24 limited expense of \$90,000.

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1           The accrual basis indicates that 2014 was  
2 extremely hard on the borrower, as his -- as  
3 high-input cost and lower falling commodities  
4 affected him. The commodities continued to fall in  
5 2015, with the change in commodity prices  
6 influencing earnings by \$71,000.

7           This, coupled with the wet and compact  
8 fields, reduced yields and earnings, influenced his  
9 operation by \$76,000. The 2000 projection  
10 anticipates sufficient earnings to service debt.  
11 The projection reflects a 2. -- I mean, a 1.1 debt  
12 coverage, using living expense of \$90,000.

13           The bank is attempting to control his  
14 expenses by monitoring his checking account and, you  
15 know, monitoring his spending. They are hoping to  
16 reduce it by \$70,000, creating a \$20,000 improvement  
17 in cash flow.

18           Collateral, I feel that IFA is very well  
19 secured on this loan, that the values are realistic  
20 for the equipment. It's a loan to value of  
21 38 percent, with a risk to value of IFA of about  
22 32 percent.

23           We do have the hours on the equipment and  
24 discounting equipment. There's four items there

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1 that are very big items; but if you discount them  
2 30 percent, the value of them 30 percent, the

3 collateral value will still be \$430,000, with  
4 leaving an additional \$410,000 in other equipment.

5 As I said, this is a very secured loan by  
6 my perception. We'll be in first position. We'd be  
7 paying off all the other loans. We won't, but the  
8 bank will be paying off all the other loans that  
9 this loan guarantees.

10 Condition, this would be one loan for  
11 \$357,000. The bank, Flanagan State Bank, will be  
12 taking the initial risk of \$54,000 on the first  
13 15 percent, leaving the IFA with \$303,000 worth of  
14 risk. The debt is amortized over seven years,  
15 paying down approximately 15-percent debt annually.

16 Is there any questions? I recommend this  
17 loan.

18 JURACEK: This seems to be the riskiest loan  
19 that I've seen in an Ag loan side, in my short time  
20 on here. The character description, certainly they  
21 are diversified. Their income source is they seem  
22 to be industrialist.

23 I guess my concern would be the stability  
24 of the Flanagan Bank. You know, what -- this is a

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1 significant portion of their capital value.

2 EVANS: Exactly.

3 JURACEK: And what do their other customers  
4 look like? You know, do we have a bank that is  
5 highly leveraged, highly risky, and could they be  
6 taken over at some point, adding to the risk?

7 EVANS: The bank could be taken over any time.



8 With the regulations and stuff that has evolved in  
9 banking, there is incentive to take over.

10 The major risk in this would be more the  
11 collateral position, because if he doesn't pay --  
12 you know, the bank is important because that loan  
13 officer monitors, you know, the equipment that is  
14 our collateral on an annual basis.

15 He also determines if he's purchasing more  
16 equipment, which increases risk, but our main risk  
17 is in the collateral and in the repayment.

18 JURACEK: So that would be my second question.  
19 How robust is the secondary market for this farm  
20 equipment, you know? In our village, we have got  
21 deals.com to sell all our stuff, and it's really  
22 great. We got great value. If you're relying on a  
23 local John Deere dealer or --

24 EVANS: Actually, Auction, or there's Tractor  
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1 House also.

2 JURACEK: Okay.

3 EVANS: Which is an open-to-public auction and  
4 everything. And, you know, I sit down every  
5 Wednesday and pick up the Tractor House.

6 JURACEK: Okay.

7 EVANS: To look up value. So it's at a local  
8 filling station. I step in there, and I drink a  
9 thing of milk, chocolate milk.

10 JURACEK: Secondary market, okay.

11 EVANS: But I always look, and the values are

12 holding true. Now, the true test would be from the  
13 farmers and everything that what they see out there,  
14 because I'm using what documentation I have  
15 available to me.

16 ANDERBERG: If I may. This is Eric Anderberg.  
17 Arlene, Chris called me last week about this, and  
18 with my background and familiarity with it, you  
19 know, my first question was condition of equipment,  
20 the hours, the values, and I looked into it a little  
21 bit.

22 And after seeing the list, and when Chris  
23 gave me the hours, I was at first, you know, a  
24 little bit leary because of the commodity price

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1 collapse and what's going on with the farm equipment  
2 economy, but the values that they have listed on the  
3 sheet, I'm very, very comfortable with. I'm  
4 comfortable with this loan.

5 JURACEK: That's helpful. Thank you.

6 EVANS: Thanks.

7 CHAIRMAN KNOX: We'll get an UCC against --

8 ZELLER: This is Brad Zeller, too, on the  
9 phone, and also being involved in the farming  
10 community.

11 Farming condition has depreciated rather  
12 rapidly, but everybody that's new to the Board, and  
13 this is a new project, and by nature this particular  
14 venue of loaning is going to have the clientele that  
15 needs our products.

16 So, by nature, these are going to be the

17 weakest deals. That's not to say that we can or  
18 cannot accept it, but we don't do this all the time  
19 with these clients because they are seeking State  
20 help. So, therefore, they are they are highly  
21 leveraged, or their cash flow is short.

22 And obviously this individual has had some  
23 trouble because he's here knocking on our door. So  
24 if we're collateralized, and it's part of our

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1 mission, then I do agree with Eric that this is what  
2 we should do, and it is questionable, and it is --  
3 it will be if another deal like this comes up, there  
4 will be very similar questions involving it.

5 CHAIRMAN KNOX: Okay.

6 McCOY: Quick question.

7 EVANS: Yes.

8 CHAIRMAN KNOX: Talking about troubles.

9 McCOY: Being in business, being a farmer for  
10 30 years, whatever, did he find himself in this  
11 position not because of the core business, but  
12 because of the asset purchases?

13 You know, the house, the, you know, 500 or  
14 650 grand over the last few years, is that the  
15 catalyst?

16 EVANS: That's probably the biggest catalyst is  
17 the house, and then the falling commodity prices.  
18 2012 was fairly good with the insurance prices and  
19 everything from the drought that we had, and they  
20 went out and overspent probably on the house.

21 McCOY: He has core --  
22 ZELLER: Does he have crop insurance?  
23 EVANS: Yes, he does. I can't remember if it's  
24 80 or 85.

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1 McCOY: It's 80.  
2 EVANS: I think it's 80, yes, that's what I  
3 think. It was in the writeup.  
4 CHAIRMAN KNOX: The UCC will be filed against  
5 us, we can't sell the tractor?  
6 EVANS: Correct, I'm going to have him file a  
7 UCC, and I'm going to make sure they terminate, you  
8 know, evidence of termination of the -- there's six  
9 UCCs out there now: Three to Farm Credit, and three  
10 to John Deere.  
11 The one to John Deere was refinanced by  
12 Farm Credit. So, you know, it's just sitting there.  
13 They never terminated it that year, but one of the  
14 guidelines in the letter to him will be that he  
15 would terminate --  
16 CHAIRMAN KNOX: The UCC assignment to us?  
17 EVANS: The UCC, uh-huh.  
18 CHAIRMAN KNOX: Okay. Are there any questions?  
19 Okay. Thank you, Mr. Evans.  
20 EVANS: Sure.  
21 CHAIRMAN KNOX: We'll turn to the local  
22 government and government purchase projects.  
23 MEISTER: I just want to set the stage a little  
24 bit.

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1 CHAIRMAN KNOX: Sure.

2 MEISTER: And compliment Rich. Local  
3 government financing has long been part of our  
4 mission.

5 A couple of years ago we exited the  
6 portfolio of old world Bond Bank loans that had been  
7 backed by the State's moral obligation, and Rich has  
8 been working diligently to find out how to replicate  
9 that program because the old program, for a whole  
10 variety of reasons, was not really replicable in the  
11 current environment.

12 And I think he's got a project which is --  
13 which, frankly, I'm excited about, because I think  
14 it's a solid project. It is a community here in  
15 northeastern Illinois that needs the assistance of  
16 the Authority.

17 And beyond that, what Mr. Frampton has  
18 done is laid out a plan going forward that could be  
19 a template for a new and sustainable line of  
20 business.

21 FRAMPTON: Okay. Thanks, Chris. Good morning  
22 everyone. Just as background, the Board actually  
23 approved the City of Blue Island direct bond  
24 purchase in a different form last August.

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1 At that time we're still talking about an  
2 alternate -- a general obligation alternate revenue

3 bond structure. However, due to the basket of  
4 assets that are being acquired by the City of Blue  
5 Island, after Bond Counsel reviewed the project  
6 further, in order to simplify the security structure  
7 of the project, the City, and we agreed, decided to  
8 make this an alternate bond structure with sales  
9 taxes as the pledged source of security.

10           With the water fund that was originally  
11 pledged, there was 1.93 times coverage. With this  
12 new structure, if you turn to page 13 of the report,  
13 on page 13 of the report, there is a debt service  
14 run based on the City's audits, both for their most  
15 recently-completed fiscal year of 12-31-14, which  
16 was an eight-month stub year, that resulted from the  
17 change of their fiscal year end, as well as their  
18 most recently completed 12-month year, April 30,  
19 2014.

20           In any case, with an eight-month stub  
21 year, the coverage of the maximum annual debt  
22 service payments, which are in the third column at  
23 \$168,655, the coverage of the eight-month revenues,  
24 which are in the second column \$953,000, is 5.65

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1 times.

2           And I should note that maximum payment of  
3 \$168,600 is in the first year, and that includes a  
4 deferred payment that would otherwise be due this  
5 December. For the final nine years of the bond  
6 issue, the maximum payments will be \$153,000, rather  
7 than \$168. So that would result in coverage of 6.23

8 times.

9           So the coverage offered by the sales tax  
10 pledge is very strong, just comparing it to some  
11 recent transactions that where we were able to find  
12 the computations available in the market.

13           The Ci ty of Rockford, for example, for  
14 their sales tax alternate bonds issued last  
15 December, they had 4.77 times coverage, and the  
16 Village of Westchester last year had 1.96 times  
17 coverage.

18           Of course both Rockford and Westchester,  
19 unlike Blue Island, each have investment grade  
20 ratings. So the strength of the GO pledge, which is  
21 really what is the ultimate source of repayment in a  
22 worst-case scenario, is not as strong as on ei ther  
23 Rockford or Westchester. It's still very  
24 significant.

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1           And, really, what protects the Authority  
2 on this transaction is the security structure  
3 offered by the alternate revenue bonds. The Ci ty  
4 will be lockboxing in a stand-alone bank account in  
5 a debt service fund of the exact amount of payments  
6 required for the next Levy year.

7           And the Ci ty will be provi di ng evi dence of  
8 the monies in that account each February to the Cook  
9 County clerk so that the County clerk can then abate  
10 the GO tax Levy.

11           So wi th the payment structure based on --

12 well, there will be some annual payments June 1 and  
13 December 1. The June 1 payment will be interest  
14 only. The December 1 payments will be principal and  
15 interest. Because this will be closing later this  
16 month as contemplated. The next levy cycle will not  
17 begin until calendar 2017 of course.

18 So because of that, we're deferring the  
19 initial interest payment that would otherwise be due  
20 12-1-2016 into 2017 and accruing interest. So the  
21 security structure offered by the alternate bonds  
22 really serves to protect us; and based on the  
23 coverages offered, we recommend approval.

24 Just some background on the City and their  
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1 finances, the citizens of Blue Island elected a new  
2 mayor entered office in 2013. His -- prior to his  
3 entering office, the City posted a general fund  
4 deficit of approximately \$2,000,000 in 2013.

5 After his first year of office for the  
6 fiscal year ended April of 2014, the City posted a  
7 general fund surplus of \$100,000; and for the  
8 eight-month stub period audit ending 12-31-14, they  
9 posted a general fund surplus of \$989,000.

10 The City of Blue Island was actually  
11 written up with eight or nine other Illinois  
12 municipalities in an article in the Bond Buyer in  
13 May of 2015. At that point, it was noted that as of  
14 their fiscal '13 year end, they had a general fund  
15 deficit of approximately \$11,000,000.

16 Since that time, they have reduced it to  
Page 16



17 \$2,900,000. They -- in addition to posting the  
18 surplus last year, they also transferred  
19 approximately \$5.6 million from the water fund.

20 The water fund has been consistently  
21 profitable. That's a bright spot in their financial  
22 picture. Last year they posted -- the water fund  
23 posted revenues of approximately \$3.38 million, and  
24 they posted an operating surplus of \$717,000, but

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1 that \$717 is after deducting depreciation expense of  
2 \$357.

3 So between the million dollar surplus in  
4 their general fund, which also reflected a  
5 \$4.3 million reduction in operating expenditures  
6 compared to budget, the City really seems to be  
7 delivering on their promise to improve their  
8 operations.

9 And on top of that, they've been diligent  
10 about repaying their debt obligations. On page 20,  
11 there's a table that reports how the City has paid  
12 down their debt obligations.

13 One other thing to note, in addition to  
14 the \$1,300,000, that is contemplated here on Agenda  
15 Item 10, the City of Blue Island also is among the  
16 17 applicants for an ambulance loan under the Office  
17 of the State Fire Marshal - IFA Ambulance Revolving  
18 Loan Fund Program, which provides zero percent  
19 money.

20 The one other comment to make just about

21 the underlying project is that page 8, there is a  
22 summary of the various project components. There  
23 are a variety of things relating to their water and  
24 sewer system. There are also improvements on the

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1 City-owned golf course, which was formerly a  
2 landfill.

3 They will also be reimbursing themselves  
4 for the purchase of one ambulance, a replacement  
5 ambulance that they purchased last fall. So there  
6 will be one ambulance here, and a second ambulance  
7 to completely refurbish their fleet, in connection  
8 with the ambulance loan.

9 So -- and then as Chris had alluded to  
10 earlier, just in terms of our local government  
11 direct bond purchase program, when the Bond Bank  
12 bonds were defeased, and effectively purchased by  
13 IFA in 2014, we purchased a balance of \$25,000,000  
14 of bonds comprising 79 underlying projects.

15 Since two years ago, the outstanding  
16 balance has been paid down to \$17.2 million. So  
17 it's gone from \$25 to \$17, and the outstanding  
18 number of underlying bonds has dropped from 79 to  
19 64.

20 So we look to this loan as being a first  
21 step in reinvigorating this program, which is really  
22 designed to help finance capital projects for  
23 non-rated, non-Home Rule Units.

24 We also look to be able to use this

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1 project downstate as well, and our primary focus is  
 2 going to be on municipalities, just in terms of  
 3 competitive issues. We're aware we will keep the  
 4 maximum loan amount at a million-and-a-half or  
 5 under.

6           Maximum loan term no more than ten years.  
 7 We don't want to be exposing the Authority to  
 8 interest rate risk and other risks. That ten-year  
 9 limit is really consistent with other limitations on  
 10 IFA financings.

11           And, you know, we want these to be  
 12 financings for new projects, not refinancings; and  
 13 compared to what many of the banks are doing, many  
 14 banks will not extend loans for more than five  
 15 years. So we might be able to offer an advantage  
 16 there.

17           Additionally, just given some of the  
 18 municipal advisory rules, there may be an angle to  
 19 play there, too, in terms of obtaining financing  
 20 from a governmental entity. That may simplify  
 21 things. So there may be some opportunities to  
 22 enhance our yield and return, too.

23           CHAIRMAN KNOX: Okay. One question from this  
 24 side. Since 70 percent of the projects are water

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1 and sewer related, or related directly to the IEPA,  
 2 will they be able to refinance us out through a SRF

3 offering?

4 FRAMPTON: These particular assets -- the City  
5 made an inquiry of IEPA about financing this, either  
6 through IEPA programs or through SRF. Neither  
7 option proved feasible, and actually the City was  
8 working with DCEO, and DCEO referred Blue Island to  
9 the Authority to seek financing, and they were  
10 actually seeking financing through the Bond Bank  
11 program.

12 So -- and that was also true of another  
13 transaction that the Authority preliminarily -- that  
14 the Board approved back in December of 2013 for the  
15 Village of West Salem.

16 So this has been a concept that I've been  
17 working on and attempting to optimize and make  
18 viable for the Authority for quite some time; and  
19 thanks to some good counsel, and some helpful  
20 feedback I've gotten from the market, I think we  
21 have a product that has some potential here.

22 CHAIRMAN KNOX: Okay. Are there any other  
23 questions?

24 JURACEK: Quick one on sales tax revenue. How  
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1 diversified are their sales tax revenue generators?  
2 Are they dependent on one or two big car dealers, or  
3 do they have a broad economy?

4 FRAMPTON: They have a broad economy, although  
5 they did lose a Jewel-Osco store recently. They do  
6 have a lot -- there are a lot of ma-and-pa stores  
7 there, and that's the bulk of their base. They

8 really don't have a lot of big-box development.

9 JURACEK: So it's not like a big Sports  
10 Authority that then shuts down and then they're up  
11 the creek?

12 FRAMPTON: Exactly.

13 CHAIRMAN KNOX: Any others questions? Okay,  
14 hearing none, Chris, can we go to the Resolutions?

15 MEISTER: Yes. On May 31st, the General  
16 Assembly passed Senate Bill 324. It creates a new  
17 program within the Authority to help qualify  
18 veteran-owned small businesses.

19 It is structured in the same way as the  
20 Agricultural guaranteed programs that we just  
21 discussed. Legislation does several things. Just  
22 to correct the documents, and it was a typo on my  
23 part, it resolves a FY15 finance audit issue in that  
24 finding.

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1 It improves risk management powers for the  
2 Authority by granting discretion to the Authority to  
3 make payments out of one -- fully or partially out  
4 of one of three funds. And for the new program, the  
5 General Assembly recognized that we are-self funded.

6 And so out of the locally-held Industrial  
7 Bond Project Fund, it allows the Authority to take  
8 up to \$675,000 over three years. \$275,000 in the  
9 first year to get the program up and running.

10 Given that it's a new program, and that  
11 these sorts of businesses are likely to, frankly, be

12 riskier than, say, an agricultural loan backed by  
13 agricultural land, I've asked the Authority to  
14 create an advisory council, which is allowed under  
15 our statute, not more than seven, not less than five  
16 Members, subject to the Open Meetings Act, FOIA,  
17 applicable ethics rules, and then to have the  
18 Members of the Committee selected by the Authority  
19 Chair, Mr. Funderburg, the Chair of the Authority  
20 Direct and Alternative Financing Committee,  
21 Mr. Knox, and myself. It's got a sunset on this,  
22 and I'll take any questions.

23 The General Assembly has not yet passed  
24 this bill over to the Governor's Office. I have

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1 been in communications with the Governor's staff,  
2 and I've submitted our recommendation to sign.  
3 Obviously signing of bills under the General  
4 Assembly is the sole discretion of the Governor.

5 And, Lerry, if I may take this liberty, I  
6 would like to nominate you to, given your Navy  
7 background, to head up this advisory committee with  
8 outside members.

9 CHAIRMAN KNOX: It would be my pleasure. Thank  
10 you.

11 MEISTER: Great.

12 CHAIRMAN KNOX: Hearing no other questions, I  
13 would like to request a motion to recommend the  
14 approval of the following Projects, Reports and  
15 Resolutions Items 1 through 3. Is there such a  
16 motion?

17           McCoy: So moved.  
18           Juracek: Second.  
19           Chairman Knox: All in favor?  
20                               (A chorus of ayes.)  
21           Chairman Knox: Any opposed?  
22                               (No response.)  
23           Chairman Knox: The ayes have it.  
24           Fletcher: Mr. Chairman, the motion carries.  
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1           Chairman Knox: Thank you. We also have, I  
2 believe, an introduction and discussion regarding  
3 the manufacturing and innovation Hub, mHub.  
4           Meister: Yes. And as earlier, I introduced  
5 Mr. Bill Fienu and Mr. Haven Allen, President of  
6 Catalyze Chicago a nonprofit and an economic  
7 development strategy for World Business Chicago,  
8 respectfully. So I will turn it over to you, sir.  
9           Mr. Allen: Sure. Chairman Knox, Director,  
10 thank you for the opportunity to participate in this  
11 discussion regarding mHub. This is a project that's  
12 coming out of World Business Chicago.  
13                       My name is Haven Allen. I am one of the  
14 economic development strategists there, specifically  
15 focused on the manufacturing sector.  
16           Meister: Excuse me. Could the people  
17 participating by phone, could you please put your  
18 phone on mute?  
19           Funderburg: And could Haven, and whoever is  
20 speaking, also get closer to the mic?

21 ALLEN: Yes, absolutely. So my name is Haven  
22 Allen. I am an economic development strategist at  
23 World Business Chicago specifically focused on  
24 assisting the manufacturing sector growth, both from  
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1 a people, so a work force perspective, a process,  
2 making sure our manufacturers are the most  
3 innovative in the world so that they can compete, as  
4 well as making sure that we're creating products  
5 that are in demand for the future.

6 I am a product of Illinois. I went to the  
7 University of Illinois Chicago, spent the last 25  
8 years here in this state, minus a period between  
9 2009 and 2013, where I served in the Peace Corps, as  
10 well as got to complete my graduate work at the  
11 University of Michigan.

12 This initiative, mHub, was built out of  
13 two different reports: One produced by CMAP, the  
14 Chicago Metropolitan Agency for Planning, that  
15 looked at the manufacturing cluster and specifically  
16 the means in which we need to drive innovation, work  
17 force and infrastructure to support it.

18 It found that manufacturing had the  
19 highest job multiplier effect in the industry in  
20 Illinois, the highest money multiplier effect of any  
21 industry in Illinois and drives over two-thirds of  
22 our exports, which equates to about \$80,000,000.

23 In addition, there were two studies that  
24 were commissioned by the U.S. Department of Commerce



1 that looked at manufacturing from a land use  
 2 infrastructure and logistics standpoint, as well as  
 3 a study that was conducted by S.B. Friedman that  
 4 tried to determine whether there was a need and  
 5 demand for a manufacturing incubator here in  
 6 northwestern Illinois or northeastern Illinois.

7 That study came back said, yes, there's a  
 8 huge opportunity in two different areas: One in  
 9 physical product innovation, and we have a great  
 10 organization in Catalyze Chicago that is starting to  
 11 show success, as well as in food innovation.

12 From those studies, we engaged the  
 13 business community to understand whether there was  
 14 really something feasible here that we could build  
 15 and what would be the scale necessary.

16 So we worked with Madison Dearborn, and  
 17 they sent over an analyst to go work with Bill to  
 18 build a financial model to understand what it would  
 19 take to get to what we would need.

20 We worked with architects from Gensler to  
 21 understand sort of spatial requirements and how that  
 22 would fit into a business model. Private Bank, to  
 23 think about how funding would come together, and all  
 24 the different revenue streams we would need to make

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1 sure this was successful.

2 In addition, we worked with Underwriter

3 Laboratories to think about demand and partnerships,  
4 and further studied it through surveys and direct  
5 conversations with local manufacturers; and lastly,  
6 KPMG to develop a comprehensive business plan to set  
7 this thing up for success.

8 I believe we've shared that initial  
9 business plan. Through our continued exploration  
10 with IFA, we hope to explore and provide more  
11 information with you.

12 Our partners, beyond sort of those  
13 business organizations, we're working with the  
14 Illinois Manufacturers Association, Technology and  
15 Manufacturers Aligned Association, the Illinois  
16 Manufacturing Excellent Center, every major  
17 university here, Northwestern, IIT, Argonne National  
18 Labs, are all part of this board and we built a  
19 great organization.

20 I'm going to turn it over to Bill so he  
21 can talk about Catalyze, the organization that will  
22 lead the mHub.

23 MR. FIENUP: And a bit about my background, I'm  
24 Bill Fienu. I went to MIT for Undergraduate and

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1 Graduate Degree. I moved to Chicago, Illinois, to  
2 take a job at IDEO, where I did about seven years of  
3 physical product design and development.

4 And then took a chance to be an  
5 entrepreneur, and that's when I struggled. I found  
6 that I left -- you know, all the resources, the  
7 staff, the equipment at, you know, IDEO, and it was

8 challenging to develop a physical product.

9           And I struggled in my apartment with no  
10 access of tools, resources, manufacturing  
11 connections. It was difficult for me to raise  
12 money, you know, because I didn't have connections  
13 to angels or VCs, and it was a real struggle.

14           And I wasn't the only one having this  
15 struggle, and several other entrepreneurs in the  
16 physical product development and manufacturing, you  
17 know, making things background, shared similar  
18 struggles.

19           There are resources for digital startups,  
20 you know, like 1871, Tech Nexus, but there was  
21 nothing focused on making and manufacturing. So,  
22 you know, we recognized these struggles, and we  
23 built Catalyze Chicago to solve these problems.

24           So what we do is we provide access to  
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1 talent. You know, there is mechanical engineers,  
2 there's electrical engineers, IOS developer,  
3 industrial designers. And in just that community,  
4 with like-minded people, helped solve other problems  
5 as well.

6           It's a very open collaborative community.  
7 We also have, you know, a great mentorship network,  
8 because not all the teams have the knowledge that it  
9 takes to develop a product, manufacture and launch a  
10 new business.

11           You know, I'm coming from a mechanical

12 engineering background. I struggled in some  
13 electrical engineering and industrial design. I sit  
14 next to both an electrical engineer and industrial  
15 designer.

16 Also, the manufacturing connections are  
17 difficult and challenging. So, you know, we've  
18 partnered with several local manufacturers here, and  
19 suppliers, to help those products scale after their  
20 development.

21 You know, we've got a machine shop with  
22 plenty of tools and equipment, and we're hoping to  
23 scale that, you know, in the mHub initiative.

24 And so we've been around for about two  
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1 years. We're got about 8,000 square feet of space,  
2 510 active members; and in that first two years,  
3 they had a number of fantastic accomplishments.

4 You know, the dollars that they raised  
5 through the investment community here locally is  
6 \$21,000,000, you know, across the 50 companies in  
7 the space. They generated over \$57,000,000 in  
8 revenue.

9 That came from selling about \$4,000,000  
10 units of product that was manufactured here. The  
11 patent portfolio is fantastic. They filed for 80  
12 patents, our members, just in those first two years.  
13 27 patents were awarded. They created a lot of  
14 jobs, a lot of new hires.

15 81 people were hired full-time from the  
16 companies that were developed in this space. A

17 couple case studies, to give you an idea of what's  
18 being developed, this is a product called the Guard  
19 Liama.

20           It's a panic remote FOB button. You  
21 double click this, and it sends the police to your  
22 location. They came out of Northern Illinois, and  
23 they didn't have access to, you know, engineers that  
24 would develop. So this we put them in touch with a

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1 mechanical engineer and industrial designer, a  
2 firmware developer, to build this and manufacture it  
3 within four months.

4           Now they are selling about 30 of these a  
5 week, and they're scaling, focused more on the sales  
6 and marketing, and we're helping them do that.

7           Also, another company called New Current  
8 came out of Northwestern. They are developing  
9 wireless-powered transmission devices. So this is  
10 for recharging your cell phone wirelessly, so you  
11 don't have to plug it in. Lots of applications.

12           They came in about a year-and-a-half ago  
13 to Catalyze, and we gave them an office, about 1200  
14 square feet. They raised \$3.5 million shortly after  
15 they joined; and now they have, you know, been with  
16 us for a year-and-a-half.

17           They moved across the street, and now  
18 they're at 4,000 square feet and hired a bunch of  
19 people. But, you know, right now it's a small  
20 bootstrap organization.

21                   You know, I put \$170,000 of my own money  
22 to build this organization. I've worked, you know,  
23 for three years with unpaid salaries, and now we're  
24 really -- now is the time to really scale this

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1 operation. We've proven a lot of success in those  
2 first two years.

3                   You know, and we want to provide more  
4 equipment. We want to provide \$2,000,000 worth of  
5 equipment, something that a university or a  
6 Microsoft or a Nike could offer their employees.

7                   Imagine if every inventor had access to  
8 that equipment and the mentorship. You know, we're  
9 going to have a huge network of industry experts,  
10 field application engineers from Arrow Electronics  
11 and create educational curriculum and programming,  
12 and bringing that investor community is very  
13 important because you need capital, especially with  
14 this capital-intensive manufacturing industry.

15                   And, you know, the time is really now.  
16 Our lease is expiring at the end of August, and we  
17 have no home. We need to move into a new home.  
18 We've identified a new facility that Motorola put  
19 \$22,000,000 into this facility on Chicago Avenue.  
20 It's about 63,000 square feet, and it will offer,  
21 you know, us enough space to really scale this  
22 operation.

23                   ALLEN: So, you know, I want to say we're  
24 talking about a real estate transaction, and how we

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1 can provide more resources to the community through  
2 this transaction, both scaling those operations, as  
3 well as giving more partners a home to continue  
4 innovating.

5 Funding-wise, an opportunity, we've  
6 secured about \$3.65 million right now through  
7 sponsorships and tenants. I would be glad to go  
8 into details, but some of those organizations are  
9 GE, Marmion, Arrow Electronics, Auto Desk, TMA. We  
10 had more conversations with a whole bunch more.

11 Our goal, as an mHub board, is to raise  
12 \$12,000,000 over the first five years to support  
13 this organization. We came to that amount because  
14 that gives us some flexibility and assures  
15 sustainability.

16 We achieved, based on our financial model,  
17 sustainability in year six. All of these contracts  
18 are for five-year deals. We're not going to be  
19 chasing dollars year to year. We're setting up  
20 long-term partnerships.

21 Types of tenants beyond the makers, we  
22 have a group that wants to bring a lab from  
23 Cincinnati to Chicago. They want 4,000 square feet  
24 in this space. We've already agreed to terms.

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1 They're going to be able to move immediately ten  
2 highly-skilled engineers and another ten in the

3 following year.

4           There's a lot of different companies that  
5 are interested in this as well, and it's not just  
6 because of this. It's because what's being built  
7 here in Illinois between 1871, the TMVIs, and  
8 Argonne, and all the rest of the universities.

9           We're just giving another home for  
10 physical product innovation so that we can attract  
11 and keep talent here in Illinois.

12           CHAIRMAN KNOX: So you'll come back for a  
13 formal request?

14           ALLEN: If we're invited, absolutely, yes.  
15 Yeah, I mean, thank you for your time and  
16 consideration. We would like to entertain any  
17 questions you have.

18           There are a lot more details we can go in  
19 around our community engagement, our financial  
20 model, education, our board representation, what our  
21 sort of diversified revenue streams and general  
22 leadership that is helping us take this to market.

23           CHAIRMAN KNOX: Well, thank you. Are there any  
24 questions?

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1           JURACEK: Yes. I have a question. So I'm an  
2 engineer by background. I have a lot of affiliation  
3 with IIT and other places.

4           My question is: The market place for  
5 incubators --

6           ALLEN: Yes.

7           JURACEK: -- there are many out there. You've



8 got clearly some very powerful supporters here, but  
9 a lot of universities that you mentioned, IIT has  
10 got an incubator space. U of I has got an incubator  
11 space.

12 I was just at a meeting had a design like  
13 that. I can't remember the name of it, big  
14 incubator space. Harper College, College of DuPage,  
15 the Golden Quarter Manufacturing Initiative.

16 There is a lot of this going on, and I  
17 guess what I would want is your take on the  
18 marketplace. Are we getting oversaturated with  
19 incubator space, or are we just at the beginning of  
20 this huge growth opportunity where you will  
21 complement rather than compete with these other  
22 incubator spaces?

23 ALLEN: I think we are very much in complement.  
24 As Bill kind of alluded to, there are a lot of

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1 incubator spaces that focus on digital innovation,  
2 not many that provide sort of that access to the  
3 equipment or physical product innovation.

4 Groups like IIT, Northwestern, Argonne,  
5 they are very much focused on their students. Once  
6 their students leave, they no longer have access to  
7 that equipment.

8 JURACEK: And they have specialties. IIT is a  
9 bio-lab.

10 ALLEN: Absolutely. We want, when those  
11 students that graduate, to have another place to

12 continue to developing an IP and actually  
13 commercialize it and not just do the research for  
14 research sake.

15 There is going to be a direct handoff  
16 between Northwestern, just like you heard, you're  
17 partnered with IIT, Northern, Chicago. We are very  
18 focused on that.

19 JURACEK: I would encourage you to reach out to  
20 College of DuPage and Harper. I was just with  
21 Governor Rauner last year groundbreaking on their  
22 huge manufacturing facility there. It's amazing.

23 ALLEN: Absolutely.

24 JURACEK: And my son is a student there. He's  
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1 got a job.

2 CHAIRMAN KNOX: Well, thank you. Thank you for  
3 your presentation and introduction. I appreciate  
4 it.

5 ALLEN: Thank you.

6 CHAIRMAN KNOX: Is there any other business  
7 before the Committee? Is there public comment?

8 Hearing none, I would like to request a  
9 motion to adjourn.

10 JURACEK: So moved.

11 McCOY: Second.

12 CHAIRMAN KNOX: All in favor?

13 (A chorus of ayes.)

14 CHAIRMAN KNOX: Opposed?

15 (No response.)

16 CHAIRMAN KNOX: The ayes have it. Thank you,  
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17 everyone, for your time.

18 FLETCHER: The time is 12:04 p.m.

19 (WHICH WERE ALL THE PROCEEDINGS HAD at 12:04 p.m.)

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1 STATE OF ILLINOIS )  
2 COUNTY OF COOK ) SS:

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

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