



Illinois Finance Authority  
Report of the Executive Director  
March 10, 2009

To: IFA Board of Directors and Office of the Governor

From: John B. Filan, Executive Director

**Financial Performance**

**General Fund:**

The Illinois Finance Authority's General Fund un-audited financial position for the eight months ending 2/28/2009, reports total assets of \$42,075,972, liabilities of \$1,713,552 and total equity of \$40,362,419. This compares favorably to the February 2008 balance sheet, with \$38,166,676 in total assets, liabilities at \$1,904,802 and total equity of \$36,261,873.

Gross revenue YTD for February was \$4,783,386, or \$830,066 (-14.8%) below plan. The unfavorable plan performance is primarily due to fee income and investment income. Total operating expenses were \$3,582,374, or \$727,101 (-16.9%) below plan. This is primarily due to a reduction of employee related expenses, professional services and loan loss provision/bad debt.

Gross revenue YTD of \$4,783,386, was \$1,281,851 (-21.1%) below same period last fiscal year 2008. This is primarily due to interest on loans, fee income and investment income. Operating expenses YTD were \$3,582,374, or \$1,035,511 (-22.4%) lower than same period last fiscal year 2008. This is due to a reduction in employee related expenses, professional services and reduced loan loss reserve.

**Consolidated Results:**

The Illinois Finance Authority's un-audited financial position as of 2/28/2009 reports consolidated total assets of \$176,984,969, liabilities of \$63,869,732 and total equity of \$113,115,238. This compares favorable to the February 2008 balance sheet of \$158,031,341 in total assets, liabilities of \$61,275,398 and total equity of \$96,755,944.

**Audit and Compliance**

The FY 2008 audit report is complete, with the exit conference on March 9, 2009. The IFA received results of the compliance audit (8 findings) and is in the process of reviewing and submitting responses to the auditors, due by March 19, 2009.

Attached is the status of fiscal year 2007 audit findings for your review.

## **Financial Services**

### **Market Update:**

The volume of new municipal issues for the month of February, \$20.3 billion (678 deals), reflects a 4.9% decrease compared to last year. Despite this decline, volume for the first two months of the year is up 5% compared to last year. This week's volume, estimated at \$5.2 billion, is up \$1.4 billion from last week and represents the highest level in months. The municipal market continues to show weak demand. However investor appetite for high grade municipal issues is expected to remain and possibly improve due to increased uncertainty over the stock market and high yields on municipal issues relative to treasuries. The ratio of 30-year "Aaa" General Obligation bonds to 30-year treasuries is 132%; down from a high of 209% before the mid-December 2008 rally. This week's volume is expected to test the market, including issuer and investor response to the federal stimulus package.

Treasury yields were up last week due to increased supply and negative economic news. The increasing federal deficit continues to put pressure on long-term treasury yields. However, treasury yields fell across the curve this week as investors resumed their flight to quality following AIG's reported fourth quarter loss. The Dow Jones Industrial Average dropped to 6705 on March 3, 2009; its lowest level since 1997.

### **Tax-Exempt Rates**

- Variable Index (SIFMA): 0.67% (2/25), up 14 basis points from last month.
- Fixed Revenue Bond Index (RBI): 5.76% (2/26), down 13 basis points from last month.
- Fixed GO Bond (MMD-30yr-Aa): 4.98% (3/2), down 15 basis points from last month.

### **Taxable Rates**

- Fed Reserve Target: 0.25% (3/2) unchanged
- 90-day LIBOR: 1.27% (3/2), up 5 basis points from last month
- 2-yr Treasury: 0.88%, (3/2) down 7 basis points from last month
- 30-yr Treasury: 3.61% (3/2) unchanged from last month

### **Economic Data:**

President Obama's proposed FY 2010 budget (close to \$1 trillion) includes higher marginal tax rates for highest wage earners; healthcare reform; and a shift in infrastructure spending. Based on the FY10 budget, the national deficit is projected to be \$1.75 trillion. Fourth quarter GDP was revised from a contraction of 3.8% to a contraction of 6.2% on an annual rate; reflecting a deeper recession. National jobless claims for January were 598,000 vs. the 525,000 estimate. February job loss is expected to be 648,000 with unemployment expected to rise from 7.6% to 7.9%.

\*Illinois 4<sup>th</sup> quarter economic data (vs. 4<sup>th</sup> Q 2007): Retail sales fell 34% (vs. 7.2% decrease US). Manufacturing exports rose 7.8% (vs. 5% drop US).

Manufacturing exports were more than \$13 billion. Total Illinois direct exports increased 7% to \$15.9 billion (vs. 11.8% increase US). Illinois building permits dropped 56% (vs. 43.7% US). Illinois unemployment data for January has not yet been released (expected 3/11).

\*According to the Department of Economic Opportunity's Current Quarter Highlights, Illinois sales experienced a 34.9 percent decrease in the fourth quarter of 2008 over the fourth quarter of 2007, and the U.S. sales also saw a decrease of 7.2 percent. for the same time period. For the annual retail sales, Illinois 2008 annual sales experienced a 7.1 percent decrease over 2007 retail sales, while the U.S. sales decreased by 0.8 percent over the same period.

#### **Stimulus Plan Update:**

The American Recovery and Reinvestment Act ("ARRA"), passed February 17, includes most of the items previously proposed. The following updates the February board report summary of items related to the municipal bond market and relevant for IFA.

#### **Tax-Exempt Bonds**

- Alternative Minimum Tax Relief – repeal of AMT on private activity bonds issued in 2009 and 2010. Issuers may refund AMT deals as non-AMT only for deals issued after 12/31/03 and before 1/1/09. This measure is expected to reduce interest costs significantly; 20-25 basis points for variable rate bonds and up to 100 bps or more on housing bonds.
- Bank Qualified Bonds – increase in "bank qualified" limit from \$10MM to \$30MM for bonds issued in 2009 and 2010; change in application of limit to borrowers rather than issuer. This provision allows the IFA (and other large issuers) to issue BQ bonds. As a result of this provision, IFA's volume of small local government and 501c3 deals over the two year period is expected to increase. IFA is actively marketing BQ bonds to qualified borrowers and underwriters.
- Small Issue IDBs – expands the definition of "manufacturing facilities" to include facilities used for the creation or production of certain intangible property. Also removes the 25% cap on ancillary facilities. Applies to bonds issued after ARRA enactment and before 2011.
- Recovery Zone Facility Bonds – creates a new private activity, exempt facility bond category for recovery zones. A recovery zone must be designated by the issuer as having significant poverty; unemployment; home foreclosures; general distress; military base closure or certain military base realignment. Also includes empowerment zones and renewal communities. Subject to volume cap (\$15 billion nationally for 2009 and 2010 combined). Allocated to states based on employment declines. Bonds may be issued after ARRA enactment and before 2011.
- Financial Institutions - allows banks to deduct 80% of the interest on tax-exempt bonds issued in 2009 and 2010, to the extent tax-exempt holdings do not exceed 2% of assets. This provision will encourage banks to more actively invest in tax-exempt bonds; which should facilitate the direct placement of IFA bonds with banks.

#### **Tax Credit Bonds and Hybrids**

- Build America Bonds – creates a new hybrid taxable bond option for governmental bonds. Interest on the bonds is taxable. The issuer has the option to receive, from the federal government, either a cash subsidy (direct

payment) or a tax credit equal to 35% of the interest payable on the bonds. The issuer may pass the benefits on to the bondholders. Must be used for governmental purpose bonds; not private activity. For bonds issued after the ARRA enactment and before 2011. IRS clarification is expected on how the federal subsidy will be received.

- Recovery Zone Economic Development Bonds – creates a new hybrid taxable bond for recovery zone financing (same definition as Recovery Zone Facility Bonds). Issuer receives, from the federal government, a direct payment equal to 45% of the interest on the bonds. For bonds issued after the ARRA enactment and before 2011.
- Clean Renewable Energy Bonds (“CREBs”) - \$1.6B increase (from \$800MM to \$2.4B) in tax credit bonds used for renewable energy projects. CREBs are available to governmental bodies and mutual/cooperative electric power companies. CREBs may be used to finance wind, geothermal, biomass, solar, landfill gas, trash combustion, refined coal production and hydropower. Electric power companies currently receive CREB financing through a member co-op. IFA will market CREBs to government entities.
- Qualified Energy Conservation Bonds (“QECBs”) - \$2.4B increase (from \$800MM to \$3.2B) in tax credit bonds for projects that reduce greenhouse gas emissions and fund “green community programs”, includes development of cellulosic ethanol and other fuels and mass commuting facilities. May be used for grants, loans or other repayment. IFA will market to government entities and developers.
- Qualified Zone Academy Bonds (“QZABs”) - \$1B increase in authorization (from \$400mm to \$1.4B) for 2009 and \$1.4B authorization for 2010.
- Qualified School Construction Bonds (“QSCBs”) – new tax credit bond category for construction/rehab of public school facilities. \$11B limit for 2009 and 2010 combined.

ARRA requires prevailing wage on tax credit bonds (CREBs, QECBs, QZABs, QSCBs) and recovery zone bonds. The IFA relevant products are being incorporated into IFA’s program portfolio (website) and marketed in connection with our Energy Initiative and Agriculture & Rural Development Initiative. ARRA also includes new provisions for mortgage revenue bonds and high speed intercity rail facility bonds.

#### **Other Market News:**

- Broadband Bill - a new bill pending in house committees would allow issuance of up to \$11B in tax credit bonds over 3 years for broadband infrastructure projects. The bill would provide tax credits with proceeds used for broadband projects that provide residents or small businesses with high speed internet access. Government entities could issue up to \$1B nationwide in years 2009-11; other issuers could issue up to \$10B. Credits would be allocated among states based on jobs and economic benefits.
- Warren Buffet’s BHAC insurance company is viewed as the strongest monoline insurer in the market; Aaa rated by Moody’s. Market experts indicate BNAC insurance trades 35 bps better than Assured Guaranty and FSA. Buffet recently indicated he has a more conservative view of the industry’s default history. BHAC insured 22 issues worth \$3.3B in the primary market in 2008.

- MBIA spin off – MBIA split off its core municipal bond insurance business into an independent operating subsidiary, National Public Finance Guarantee Corporation, with a goal of regaining triple-A ratings.
- Citigroup received an additional \$25 billion in TARP funding; the federal government is considering a conversion of its preferred shares into common equity.
- AIG posted a \$61 billion 4<sup>th</sup> quarter loss and is expected to receive \$30 billion in new federal capital and revised loan terms.
- The District of Columbia issued the first Build America bond, \$445MM rated “AAA” by S&P.

#### **Sales, Marketing and Credit:**

- Marketing – 501c3 prospect call, calls and meetings with Podesta & Co (WBE firm) and Ramirez & Co (WBE firm).
- Agriculture & Rural Development Initiative – feedback from Illinois Farm Bureau; planning for next working group call focused on Broadband development in rural communities.
- Treasury, Risk Management and Management Reporting – committee meetings
- Program Development
  - Higher Education Pool program – introduced by Loop Capital Markets; could include public and private institutions as well as cultural/social service borrowers; requires seed funding.
  - Fire Truck and Ambulance programs – developed a revised review procedures and funding criteria with credit committee.
  - Micro Loan program and New Market Tax Credits – planning for applications.
  - Participation Loan Program – completion of program analysis and recommendations.
  - Local Government – review of new strategy for conduit bonds and coordination with IEPA for water projects.

#### **Sales Activities**

Funding Managers will be presenting 7 projects totaling \$655,416,832 for approval in March, 2009. Agriculture projects total \$250K; Business and Industry projects total \$5.5M; Higher Education projects total \$25M; Healthcare projects total \$623M according to applicants. These projects are expected to create 84 new jobs and 570 construction jobs.

#### **Agriculture**

For the month of February and early March, the Ag Staff (and Board Members) participated in community development meetings with the Executive Director and Business and Industry Staff. The IFA held meetings with local legislators, community leaders, bankers, and economic development officials in Peoria, Peru, Bloomington and Springfield, as well as Carbondale and Marion, Illinois. Approximately 20 to 50 people attended each meeting, which provided feedback to IFA staff in regard to the needs in area communities. The Southern Illinois meeting received extensive media coverage.

Staff has fielded a variety of IFA program inquiries in February from lenders and producers. Most of the project inquiries have been related to Beginning Farmer Bonds, as well as inquiries for Young Farmer Guarantees for two potential producers who wish to purchase and begin their own dairy farm. Staff made in person calls to lenders, which provided leads on an Agri-Debt Guarantee project, as well as two more Young Farmer Guarantee projects. Another promising project is being explored for a potential wind turbine project, which will provide a single wind turbine for a business in Northern Illinois that wishes to generate their own power. This project would likely require participation loan funding for IFA participation in the project.

Staff has processed and prepared 8 applications for new Beginning Farmer Bond transactions, which are being presented to the Board of Directors for approval at the March board meeting.

*There were no Agriculture closings in February, 2009*

### **Healthcare**

This month the Healthcare Team worked on securing three new financings, one for Provena Health System for \$120 million, which will be coming to the Board in April, 2009 and will be closing in this fiscal year. Also, Northwestern Memorial Hospital is coming for a one-time only final resolution to convert \$475 million of their outstanding variable rate bonds to fixed rate. Finally, we have a new money issue for a continuing care retirement community, Norwood Crossing in Norwood Park for approximately \$25 million. They also hope to close before the end of IFA's fiscal year. The continuing care retirement community market remains closed, because most of these credits are either BBB or unrated and the pricing on these bonds, if the market would purchase them, would be too high for the Borrower to service.

This month we successfully closed the University of Chicago bond financing for \$165 million and Rush University Medical Center for \$211 million. We also priced Carle Foundation's \$240 million financing (fixed and variable rate), which is scheduled to close on March 18, 2009. We continue to work with our Borrowers who are restructuring their plans of finance to try to get into this very turbulent and unpredictable market, such as The Admiral and Silver Cross Hospital, both of which financings are for new facilities.

The IFA will be co-sponsoring the Illinois Critical Access Hospital (ICAHN) 2009 Facilities Workshop entitled "Hospital Building/Renovation Strategies for Success-Planning, Financing, Building and Compliance", in Springfield on March 18, 2009. Pam Lenane will be speaking on a panel "Financing in Today's Credit Crunch" and staffing a booth at the conference. ICAHN is composed of 52 small rural and urban hospitals. I will be speaking about the Authority's "toolbox" of financial products - The Capital Opportunity Bond ("COB") Program for small hospitals, equipment financing, the Private Placement Initiative for Critical Access Hospitals, and the Federal Home Loan Bank Letter of Credit Program. Pam Lenane and Rich Frampton will be attending the Wisconsin Health and Educational Facilities Authority 2009 Workshop on March 23, 2009 entitled "Insights into Capital Finance". This is always a very informative conference with

good speakers, including the Federal Home Loan Bank of Chicago, and an opportunity to meet Borrowers from Wisconsin that have facilities in Illinois.

Finally, we will be meeting with the President of the Illinois Hospital Association on March 9, 2009 to discuss IFA programs that are under development to assist lesser rated credits.

#### Healthcare – February, 2009 Closings

Closing Date	Issuance\$\$	Borrower
02/10/09	\$211,620,000	Rush University Medical Center, Series 2009
02/12/09	\$165,000,000	University of Chicago Medical Center

#### **Higher Education**

The Higher Education team's marketing initiatives are continuing to focus on Illinois colleges and universities immediate infrastructure needs including mandated sprinkler systems in dorms and related facilities. Illinois Institute of Technology will be coming before the Board at the March meeting for inducement of a \$25 million bond issue for campus improvements including sprinklers and related HVAC upgrades. Representatives from Loop Capital Markets LLC made a presentation to the Higher Education finance team and the Director of Financial Services about creating a marketing initiative targeted to public and private Illinois colleges and universities. The presentation included creating a discrete group or pool of issuers which would use similar documents and the same underwriter to minimize issuance costs. Loop Capital Markets representatives stated they would commit their marketing arm to broadcast the program to individual colleges and universities and through both the Federation of Independent Illinois Colleges and Universities and the Associated Colleges of Illinois. Representatives from Loop Capital Markets have scheduled a follow-up meeting with IFA staff in mid-March to refine their proposed marketing and underwriting program.

*There were no Higher Education Closings in February, 2009*

#### **Communities and Culture**

The Director of Finance for Newmark, Knight & Frank invited Townsend Albright to make a presentation before the firm's entire not-for-profit broker associate group which specializes in locating properties for not-for-profits statewide. In February, Mr. Albright had spoken before the firm's charter school associate group. Mr. Albright met with the new Economic Development Director and Economic Development Coordinator for the Village of Wheeling. The Village approached the IFA to learn about financing options for several pending projects including upgrading commercial areas along Milwaukee Avenue and Wolf Road. The Village needs to construct a new water tower and related infrastructure improvements in the northwest section of the Village which consists of undeveloped land. The Village is currently working with a major developer to research residential/commercial uses for the land. The group discussed the use of Special Service Area, Water Revenue, Alternate Revenue, and General Obligation bonds and combinations thereof to provide funding for the various future projects. The City of

Rockford's Economic Development Director contacted Mr. Albright for a similar discussion which included Industrial Revenue Bonds for small and mid-sized companies.

President Obama's stimulus legislation which was enacted on February 17, 2009, provides an excellent marketing opportunity for IFA and its Funding Managers to talk to not-for-profit and municipal entities. The legislation changes the application of the limit for bank qualification from the issuer (IFA) to the borrower (not-for-profit, local government, school district). The bank qualification limit for bonds issued in 2009 and 2010 increases from \$10 million to \$30 million. Investment bankers tell IFA funding managers the market values the bank qualification of a bond as being worth approximately 30 basis points off of the borrower's true interest cost. The interest earned on local government bonds issued through the IFA as a conduit financier are exempt from state as well as federal income taxes.

Communities & Culture – February, 2009 Closings		
Closing Date	Issuance\$\$	Borrower
02/19/09	\$6,900,000	Everest Academy of Lemont

### **Business & Industry**

#### **Ongoing Marketing Developments with the Federal Home Loan Bank of Chicago:**

- IFA continues to work directly with professional constituent groups (e.g., hospitals, private colleges), prospects (e.g., manufacturers), and finance professionals to increase awareness of the new, Federal Home Loan Bank Letter of Credit structure. IFA's objective is to help facilitate IRB's, 501(c)(3), Revenue Bonds, and Local Government Revenue Bond projects, particularly given tight credit markets. The Executive Director and IFA executive staff (Karen Walker, Rich Frampton and Pam Lenane) met with Federal Home Loan Bank of Chicago's President Matt Feldman and FHLB Chicago's Community Investment staff on February 18th. The results of this meeting included: (1) determining how IFA and FHLBC could help expedite prospective FHLB LOC - enhanced Bond Issues and (2) establishing a preliminary timetable (late April or May) for co-hosting an informational seminar/workshop in Chicago targeted to the Public Finance community (i.e., bond counsel and investment bankers), bank counsel, and select economic development practitioners to discuss how to structure and expedite FHLB LOC - enhanced bond issues.
- IFA closed its first FHLB Letter of Credit enhanced transaction on behalf of Everest Academy (\$6.9 million) on Friday February 19th. The Federal Home Loan Bank of Chicago provided a Confirming (i.e., Standby) Letter of Credit to support a Direct Pay Letter of Credit provided by First Midwest Bank. The Everest Academy transaction was the first FHLBC LOC - secured transaction closed by both (1) the Illinois Finance Authority and (2) the Federal Home Loan Bank of Chicago.
- Despite continuing difficulties in the credit markets, IFA Staff believes that the FHLB LOC will provide a significant opportunity for many manufacturers, 501(c)(3)



organizations, and some local governments/school districts to gain access to credit enhancement through locally-owned, community-based banks that are Members of the Federal Home Loan Bank system. According to the Council of Federal Home Loan Banks, approximately 80% of the nation's financial institutions (including commercial banks; savings banks; insurance companies; and credit unions).

### **Marketing and Opportunities related to the "2009 Recovery Act"**

**501(c)(3) Revenue Bonds and Local Government Revenue Bonds:** The 2009 Recovery Act will temporarily expand the so-called "Bank Qualification" provisions which provide financial incentives for Banks to purchase and hold certain 501(c)(3) and Local Government/School District Revenue Bond financings as investments.

**These temporary provisions under the 2009 Recovery Act will be in effect until 2011:** Increase the maximum annual issuance limit for Issuers (including both conduit issuers and local governments) eligible to issued Bank Qualified Bonds from \$10MM to \$30MM.

1. New Provision: Enables the underlying 501(c)(3) (or Local Government) Borrower to elect "Bank Qualified" Status on the underlying bonds provided that the underlying 501(c)(3) Borrower issues less than \$30MM of Tax-Exempt Bonds per calendar year:
  - This provision will enable both Local Issuers and IFA to issue Bank Qualified Bonds until 2011.
  - This will temporarily make projects between \$10MM and \$30MM eligible for Bank Qualification

**Projected Impact:** Will enable Banks to purchase additional Bank Qualified Bonds, thereby prospectively enabling improved pricing to underlying Borrowers. May facilitate refunding/refinancing activity.

**Limitations:** Underlying Borrowers must satisfy credit/underwriting criteria specified by the Bank (or Banks).

**Marketing Efforts:** IFA is disseminating information to Borrowers through selective e-mail blasts. IFA's web site will provide additional information.

**Industrial Revenue Bonds:** Temporary Expansion of Scope of Qualified Projects until 2011: The Recovery Act of 2009 will temporarily expand the scope of projects that qualify for Industrial Revenue Bond financing to also expenditures relating to on-site research/development facilities; on-site laboratory/testing facilities; and other facilities that are functionally related but subordinate to on-site manufacturing (e.g., warehousing, loading docks, office space).

**Projected Impact:** This provision will enable certain facilities that involved some manufacturing, but also involved significant research and development activities, to qualify for IRB financing. (In 2004, IFA had a prospect that had a large R&D Laboratory that developed flavorings -- although there was on-site manufacturing, the R&D facilities

comprised the majority of project cost. Consequently, the project could not qualify for Industrial Revenue Bond financing.)

**Limitations:** IRB Borrowers will continue to be subject to (1) the \$10MM IRB issuance cap, and (2) the 6-year, \$20MM Capital Expenditure Limit that applies to all IRB-financed facilities, and (3) the \$40MM corporate-wide limit on the maximum amount of IRB's that can be issued and outstanding at any one time (includes the Borrower and its affiliates).

As a result of the 6-year, \$20MM Capital Expenditure Limitation (that is applicable to the municipality and county where the project is located) and the \$40MM corporate-wide limitation, use will be limited to middle market firms. As a result, large, public companies (e.g., Baxter) are not expected to be able to finance new projects with IRB's in 2009 or 2010, while this expanded IRB "scope provision" is in effect.

The Borrower must still find a Bank willing to credit approve and project and support by either (1) providing a Direct Pay Letter of Credit or (2) purchasing the Bonds as a direct portfolio investment.

**Marketing Efforts:** IFA will supplement efforts already being implemented by public finance participants (i.e., underwriters and bond counsel) by providing direct newsletter information along with targeted presentations to select industry groups. IFA will use contacts with the Illinois Manufacturers Association, DCEO, and regional federally funded Manufacturing Technology Centers located statewide (Peoria and elsewhere) to make prospects aware of the increased applicability of IRB financing in 2009 and 2010 as a result of the Recovery Act.

## **Energy**

**RETECH 2009:** Members of the Illinois Energy Team, including the Executive Director and the Deputy Director, and Argonne National Laboratories, University of Illinois and the Illinois Environmental Protection Agency, joined 3,000 renewable energy leaders in Las Vegas to attend the 2009 Renewable Energy Technology Conference and Exhibition, which was hosted by the American Council on Renewable Energy and held on February 25 through 27. The Executive Director made two presentations, one on the current state and outlook for renewable energy project finance and a second on the state's economic development efforts for renewable energy. During the conference IFA representatives met with 15 project developers and investors to review projects, learn about recent development trends and publicize the State's efforts to attract promising facilities to Illinois.

**State Legislative Initiatives:** Senate Bill 1912 provides for an increase in authority to issue energy related State Moral Obligation Bonds from \$1.7 billion to \$3.0 billion and authorizes its use beyond clean coal facilities to include renewable energy facilities and facilities that provide for the capture, transportation and storage of carbon dioxide. The bill also provides for an increase from \$75 million to \$225 million in authority to issue certain types of Agriculture Guarantees, including Agri-Industry Guarantees. A primary purpose of that authority is to provide IFA with the capacity to issue guarantees to facilitate the development of additional renewable energy projects, such as biofuels production facilities.

**Project Pipeline:** The Authority is reviewing financing requests from developers using a variety of energy feedstocks: wind, hydro, soy oil & animal fat, municipal solid waste and coal. The expansion of guarantee authority and State moral obligation bonding authority would dramatically expand IFA's capacity to support these types of projects.

*There were no Energy Closings in February, 2009*

### **Local Government**

Springfield IFA staff participated in three meetings this month. A meeting was held in Springfield on February 17, 2009 for economic development specialists, bankers, and legislators to discuss borrowing needs of various markets in Central Illinois and to share information about IFA with participants. The other two meetings were sponsored by the Illinois Municipal League and were held in Macomb, Illinois on February 20 and in Carbondale on February 27. Approximately 15 individuals attended the session in Macomb and 50 individuals were in attendance at the Carbondale meeting. The participants were from various units of local government and were seeking information regarding financing options/programs available for their respective communities.

Springfield staff has also been working on processing Fiscal Year 2009 applications from the Office of the State Fire Marshal (OSFM). This year there were 60 applications received for the Fire Truck Revolving Loan Program and 12 applications received for the new Ambulance Revolving Loan Program. Both of these Programs are funded with revenue from State Appropriated funds. It is the role of the IFA to determine the credit worthiness of each Fire Department/District application and notify the OSFM. These programs will be presented to the IFA Board at the March 10, 2009 meeting for review and approval.

Additionally, staff has finalized an RFQ to be posted on the CMS website to secure services of underwriters to assist in the management/financing of the Local Government Pooled program, commencing with the Spring 2009 issue. There are additional activities/responsibilities included in the RFQ, however, managing the Local Government Pooled program is of primary importance.

*There were no Local Government Closings in February, 2009*

### **Venture Capital**

A Venture Capital Board Committee meeting was held on February 10, 2009. IFA is participating in the orderly wind down of the Champaign Urbana Venture Fund. This investment has already been written down to zero. Final cash disbursements from the Fund have been received. The final tax return has been completed and submitted. Two outstanding items remain: Formal dissolution of the last remaining investment and formal dissolution of the Fund.

Staff participated in Board meetings for zuChem and Harmonic Vision. Updates for zuChem and Harmonic Vision were distributed to the Venture Capital Board Committee.

Staff has identified three different firms interested in performing valuation services related to the IFA's venture fund. Formal invitations to respond were sent on February 2, 2009. Additional information concerning IFA requirements and valuation methodologies

has been researched and shared with each vendor. Non-disclosure agreements are being reviewed in anticipation of sharing information about the fund with each interested firm. This should facilitate the preparation of proposals.

The IFA formally declined to participate as an investor in the Illinois Innovation Accelerator Fund.

The venture capital portion of the IFA website was updated.

### **Human Resources**

IFA submitted the required Ethics Training reports to the Office of the Inspector General.

A new policy, the Medical Leave and Family Care Policy ("MLFC"), has been drafted to replace the federal Family Medical Leave Act Policy (FMLA) that no longer applies to IFA. IFA's MLFC Policy is designed to provide the same employee protections that were provided by FMLA. A draft of the policy is currently being reviewed by ADP TotalSource.

The health care benefits comparison between the State provided benefits those obtained through ADP TotalSource was completed.

ADP TotalSource Open Enrollment for the next benefit plan year has begun. IFA elections are due by March 12, 2009.

IFA's new Chief Financial Officer, Yvonne Towers, joined the IFA effective February 23, 2009.

### **Treasury**

IFA's proposed investment strategy for managing the funds that IFA has investment responsibilities for is nearly completed. Work on tasks required for implementation has started. Work on updating the investment policy has resumed now that a proposed investment strategy has been identified.

### **Operations**

**Facilities:** The project to create additional office space by utilizing what was previously storage space has been completed. The library conference room has also been reconfigured to more efficiently utilized space.

**Procurement:** The RFP for Legal Services was completed and posted on the Illinois Procurement Bulletin. RFPs for Local Government Underwriters and CDARS are scheduled for completion the week of March 2, 2009.

**IT:** A proposal for replacing the products IFA uses for protecting against viruses and spam was completed.

**Expenses:** The expense reduction plan was completed and approved. Implementation will take place over the next 30-day period. Anticipated annualized savings total \$155,000.

Risk Management: All preliminary work has been completed for the meeting with the IFA's insurance brokers in anticipation of the insurance policy renewal meeting scheduled for March 4, 2009.

**Legal/Legislative**

*A verbal report will be provided at the March 10, 2009 meeting of the Committee of the Whole.*

**Illinois Finance Authority  
Audit Findings Material and Immaterial  
Update as of February 28, 2009**

Item Number	Description	Estimated Completion Date	Status		Percentage Completed
			Action Items Completed	Action Items/ (not final)	
Total Number of 9					
<b>FY 07 Immaterial Findings</b>					
IM07-01	Approval of Incomplete Travel and Marketing Reimbursement Forms		3/4		75%
IM07-02	Inadequate Processing and Untimely Deposit of Cash Receipts and Refunds	4/30/2008	4/4		100%
IM07-03	Corrected Agency Workforce Report was not Filed Timely	4/30/2008	4/4		100%
IM07-04	Use of Telecommunications Devices Not Properly Monitored	4/30/2008	3/3		100%
IM07-05	Outdated Investment Report	4/30/2008	4/4		100%
IM07-06	Allowance of Old Accounts Receivable Not Performed	7/31/2008	4/4		100%
IM07-07	Statement of Economic Interest Report Not Filed Timely	4/30/2008	4/4		100%
IM07-08	Failure to File for a Refund of Telephone Excise Tax	4/30/2008	2/2		100%
IM07-09	Noncompliance with Printing Requirements	4/30/2008	2/2		100%

<50% = Partially Completed or under review  
60% = Substantially Completed  
100% = Completed

IM07-01 On January 8, meeting was held to discuss the automated e-expense program. The Director of Financial Services is evaluating the program and will make a determination.

**Illinois Finance Authority  
Audit Findings Material and Immaterial  
Update as of February 28, 2009**

Item Number	Description	Estimated Completion Date	Action Items/ (not final) Action Items Completed	Status	Percentage Completed
					10 20 30 40 50 60 70 80 90 100
Total Number of 8					
<b>=Y 07 Material Findings</b>					
07-01	Missing Policy on Nondiscrimination	7/31/2008	2/2		100
07-02	Failure to Report Revenue bond Information to the Illinois Office of the Comptroller		4/3		100
07-03	Bad-Debts not Referred to the Illinois Office of the Comptroller	7/31/2008	4/4		100
07-04	Noncompliance with the Illinois Procurement Code and SAMS Procedures	6/30/2008	2/2		100
07-05	Lack of Segregation of duties in Managing Property and Equipment	4/30/2008	4/4		100
07-06	No Established Rules to Administer Loan Programs		2/1		100
07-07	Authority is Not a Member of the Illinois Forestry Development Council	4/30/2008	2/2		100
07-08	Failure to Administer the Exporter Award Program	11/30/2008	2/2		100

<50% = Partially Completed or under review  
60% = Substantially Completed  
100% = Completed

Finding 07-02 The Authority is in constant communication with the Office of the Comptroller with formal discussion/meetings quarterly. They have agreed to send their delinquency report quarterly. We are currently working to send a letter to the trustee to remind them of their duty to avoid having late CO 8's. Letter is schedule to be sent out by the end of February.

Finding 07-06 A draft for the rules have been written, but not approved.