

To: Members of the Illinois Finance Authority
From: Chris Meister, Executive Director
Date: April 8, 2025
Subject: Message from the Executive Director

This Month's Transactions

New Business Items for consideration and approval this month include bond resolutions on behalf of *Silver Cross Hospital and Medical Centers*, *Illinois Institute of Technology and Midwestern University Foundation*, and a Property Assessed Clean Energy (“PACE”) bond resolution on behalf of *Counterpointe Energy Solutions (IL) LLC*. Also on the agenda is a resolution to appoint a Secretary of the Authority.

State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2025

Authority Members considered and approved bond resolutions regarding the Series 2025 State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds (“SRF Bonds”) at the January and February 2025 board meetings. Unlike the Authority’s typical processes for issuance of private activity bonds, Brad Fletcher, Managing Director of the Authority’s Public Finance Group, lead the SRF Bond transaction in coordination with Jacob Poeschel and Erin Hutchins, Chief Financial Officer and Water Revolving Fund Loan Manager, respectively, of the Illinois Environmental Protection Agency (the “IEPA”). On March 26, 2025, Jennifer Shea of *The Bond Buyer* highlighted the transaction in an article entitled “Trends in the Regions: Illinois Finance Authority to sell green bonds for clean water” in advance of the pricing of the SRF Bonds on March 31, 2025, and April 1, 2025.

Importantly, this SRF Bond transaction includes the first refunding to be undertaken under the 2013 Master Trust Agreement while contemporaneously accessing the municipal bond market to fund new IEPA loans to units of local government. Retail and institutional pricing of the SRF Bonds resulted in the Authority attracting more than \$857 million of private capital for the State of Illinois Clean Water Initiative. Transaction highlights include:

- Three series of SRF Bonds were underwritten and sold, with proceeds being utilized to finance more than \$544 million of new IEPA loans to units of local government, and to refinance approximately \$379 million of outstanding bonds that will generate gross savings of more than \$27 million (or present value savings of more than \$17 million);
- The refunding featured a tender component that garnered an outstanding 64.6% investor participation, and notably, 1,143 of the 2,022 positions tendered were in amounts totaling \$25,000 or less, demonstrating strong retail participation in the tender;
- The refunding also featured a forward delivery component such that untendered bonds with 2026 call dates were refunded on a delayed delivery basis (i.e., October 2025);
- The transaction participants navigated nuanced tax issues and created a redemption provision that, to the best knowledge of Jeffries LLC as Lead Senior Manager, has never been utilized before to maximize overall savings;
- Leveraging a positive market tone, the Authority generated more than \$380 million in retail orders during the one-day retail order period held on March 31, 2025, and this strong retail

interest was used to leverage institutional participation on April 1, 2025, as the underwriters built an order book totaling \$2.8 billion in the aggregate;

- Orders were received from over 20 accounts that the underwriters believe to be new to the State of Illinois Clean Water Initiative, and in spite of the federal backdrop, there was no pushback from any accounts on the green bond designation; and
- Finally, over the course of the pricing process, the strength of the order book permitted the Authority to tighten spreads by up to 12 bps for certain maturities.

On behalf of the Authority, I thank Brad for his leadership with this bond issue, Craig Holloway for his dedication to the necessary procurement processes in advance, and everyone involved in making this transaction possible.

Member Appointment Process

The re-appointments by Governor JB Pritzker of Chair Hobert as Member, as well as Members Jim Fuentes, Lynn Sutton, and Brad Zeller received unanimous bipartisan consent by the Illinois Senate Executive Appointments Committee on Friday, April 4, 2025. The full Senate will consider the consent to these Authority Member nominations by the Governor on a future Senate Calendar.

Calendar year 2025 marks Jim Fuentes' and Brad Zeller's 20th year, Roger Poole's 15th year, and Arlene Juracek's 10th year of volunteer service as Members of the Illinois Finance Authority. On behalf of all the staff, as well as Authority's conduit borrowers and their transaction teams, I thank all the Members, but especially Arlene, Brad, Jim, and Roger, for their extraordinary commitment to the people of Illinois.

Other Legislative Updates

On March 19, 2025, and April 3, 2025, Senate Bill 2306 and Senate Amendment 1, respectively, a legislative initiative of the Authority, unanimously passed the Senate Executive Committee on a bipartisan basis. The Authority recently filed an amendment to Senate Bill 2306, which clarifies the Authority's ability to finance working capital. The Authority has received bipartisan support for this initiative from several other Senators, including Chief Co-Sponsors Sara Feigenholtz and Graciela Guzmán, as well as Co-Sponsors Adriane Johnson, Laura M. Murphy, Mike Porfirio, Linda Holmes, and Jil Tracy. The Authority thanks its Senate Sponsors and the Members of the Senate Executive Committee for their support on Senate Bill 2306 (Attachment A). We are optimistic regarding the probability of Senate Bill 2306 being favorably considered on the floor of the Senate before the third reading deadline on April 11, 2025. Senate Bill 2306 has potentially positive impacts for the Climate Bank, economic development, and public finance efforts.

The Authority thanks Chair Belt, Vice-Chair Villivalam, and Minority Spokesperson Lewis of the Senate Appropriations Committee for the invitation to appear on March 19, 2025. The hearing was subject matter only as the Authority does not receive an annual taxpayer appropriation to support our economic development, Climate Bank, and public finance activities. The Authority presentation was brief and generated no questions from the Senators.

Key Federal Funding Updates

The federal funding environment is fluid. We will continue to provide updates as appropriate.

Attachments:

Attachment A: Senate Bill 2306 One-Pager