

1 ILLINOIS FINANCE AUTHORITY
2 AUDIT PLUS COMMITTEE SPECIAL MEETING
3 June 11, 2019, at 9:02 a.m.
4

5 REPORT OF PROCEEDINGS had at the Audit Plus
6 Committee Meeting of the Illinois Finance Authority
7 on June 11, 2019, at the hour of 9:00 a.m., pursuant
8 to notice, at 160 North LaSalle Street, Suite S-1000,
9 Chicago, Illinois.

10 APPEARANCES:

11 COMMITTEE CHAIR MICHAEL W. GOETZ (via audio
conference)

12 MR. E. LYLE McCOY

MR. GEORGE OBERNAGEL

13 MS. BETH SMOOTS

MR. BRADLEY A. ZELLER

14 MR. ROGER POOLE

MR. ERIC R. ANDERBERG, *ex officio*, non-voting

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16 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS:

MR. CHRISTOPHER B. MEISTER, Executive Director

17 MR. JACOB STUCKEY, Deputy Executive Director

MR. RYAN OECHSLER, Associate General Counsel

18 MS. XIMENA GRANDA, Senior Controller

MS. ELIZABETH WEBER, General Counsel and Legal

19 Adviser to the Board

MS. LISA BONNETT, Vice President, Water Policy (via

20 audio conference)

MR. MALCOLM SIMMONS, IFA Intern

21 MR. RYAN BREACH, IFA Intern

22
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1 CHAIR GOETZ: I'd like to call the meeting
2 to order. Would the Assistant Secretary please call
3 the role?

4 OECHSLER: Certainly. The time is
5 9:02 a.m.

6 Mr. McCoy?

7 McCOY: Here.

8 OECHSLER: Mr. Obernagel?

9 OBERNAGEL: Here.

10 OECHSLER: Mr. Poole?

11 POOLE: Here.

12 OECHSLER: Miss Smoots?

13 SMOOTS: Here.

14 OECHSLER: Committee Chair Goetz via audio
15 conference?

16 CHAIR GOETZ: Here.

17 OECHSLER: Chair Anderberg, ex officio and
18 nonvoting?

19 ANDERBERG: Here.

20 OECHSLER: Committee Chair Goetz, a quorum
21 of Committee Members has been constituted.

22 CHAIR GOETZ: All right. Does anyone wish
23 to make any additions, edits, or corrections to the
24 Minutes of the May 14, 2019, Committee?

1 (No response.)

2 CHAIR GOETZ: Hearing none, I would like to
3 request a motion to approve the Minutes.

4 OBERNAGEL: I'll make a motion,
5 Mr. Chairman. Obernagel.

6 McCOY: Second.

7 CHAIR GOETZ: All in favor?

8 (Chorus of ayes.)

9 CHAIR GOETZ: Any opposed?

10 (No response.)

11 CHAIR GOETZ: The ayes have it.

12 So I'll turn the meeting over to
13 Mr. Stuckey and Miss Granda to discuss the budget.

14 STUCKEY: Good morning.

15 For Fiscal Year 2019, the Authority
16 introduced a budget that projected a million-dollar
17 loss. That budget invested in new products and
18 strengthened the organization through investment in
19 existing and new talent.

20 Currently, we are happy to report
21 that we are estimating that we will end the fiscal
22 year in the red by approximately a quarter of a
23 million dollars.

24 The Authority was able to do better

1 than expected by controlling employee-related cost
2 and it's doing better than expected -- expected in
3 investment income.

4 However, closing fees for conduit
5 bonds, the largest source of revenue, is projected to
6 fall short of our estimate of 2.6 million by
7 approximately 600,000 or 20 percent.

8 For Fiscal Year 2020, the Authority
9 has proposed a budget that breaks even. The budget
10 will invest in the development of existing employees
11 and an addition of new junior employees that will
12 strengthen the depth and capacity of the team. We
13 believe this new investment will increase revenues in
14 the future and allow the Authority to fulfill the
15 maximum potential of its statutory mission.

16 Before I hand the presentation over
17 to Six to go over specific line items, I want to
18 point out that as a part of the total operating
19 revenue, there's approximately 250,000 new,
20 anticipated revenue from the Commercial Property
21 Assessed Clean Energy Product, which benefited from
22 the passage of House Bill 3501, and 250,000 from our
23 newly rejuvenated participation loan product.

24 So Six will now walk you through

1 specific line items.

2 GRANDA: Thank you, Jacob.

3 Good morning, everyone.

4 In your packet, you have a three-page
5 Fiscal Year 2020 Budget document. Just for the
6 record, these three pages are public.

7 Page 1 of the document is a summary
8 of the Fiscal Year 2020 Budget. Page 2 is the
9 projected revenues details, and then Page 3 is a
10 detail on the operating expenses.

11 Under Operating Revenues, I am going
12 to cover two line items, closing fees and interest on
13 loans. In comparing estimated Fiscal Year End 2019
14 actual to Fiscal Year 2020 budget, closing fees
15 increased by 23.8. As Jacob mentioned, this is due
16 to the new Property Assessed Clean Energy Business
17 line, which is approximately about 258,000 or 6.8
18 percent of the operating revenues.

19 Interest on loans increased by 26.5
20 percent. This is due to the rejuvenated
21 participation loan product that we plan to close in
22 Fiscal Year 2020, which is approximately about
23 233,000 or 6.1 percent of total operating revenues.

24 Now, moving on to Operating Expenses,

1 I am going to be covering employee-related expenses,
2 professional services, and depreciation and
3 amortization expense.

4 Under Employee-Related Expenses, it
5 increased by 11.5 percent, and that is due to three
6 vacancies that the Authority is planning to fill in
7 Fiscal Year 2020.

8 Under Professional Services, it
9 decreased by 3.9 percent. The main decrease is
10 on temporary services. For a number of years, given
11 the evolving hiring framework, the Authority relied
12 on temporary employees. Moving forward, the
13 Authority plans to move from temporary to full-time
14 employees.

15 Under Depreciation and Amortization,
16 it increased by 15.2 percent, and that is due to IT
17 projects that the Authority plans to do in Fiscal
18 Year 2020.

19 Overall expenses stayed flat with a
20 slight increase of 6.7 percent.

21 Moving on to Nonoperating Revenues
22 and Expenses, that set increased by 50 percent, and
23 that is due to the new loans that we are planning
24 to do under the Rejuvenation Participation Loan

1 Product.

2 Investment income increased by 23.2
3 percent. This budgeted amount was provided by our
4 investment manager.

5 At this time, the Authority is
6 presenting a balanced budget for Fiscal Year 2020.

7 Are there any additional questions or
8 any questions?

9 MEISTER: If I may, Mr. Chairman, I just
10 wanted to make a statement. Number one, compliment
11 Jacob Stuckey and Six Granda for their work on this
12 budget and then thank the Board for their support
13 over the last year and a half.

14 The circumstances that led to the
15 Authority embarking on the transformation initiative
16 are well-known and are founded in moves by the U.S.
17 Congress to eliminate federal conduit tax exemptions
18 in late Calendar Year 2017.

19 The Board has been engaged and
20 understood the gravity of that chain of events and
21 the need to reconstitute ourselves and evolve, and
22 that evolution has taken the form of the
23 transformation initiative, and I ask for the Board's
24 support in the next fiscal year.

1 This is a sound budget. We've been
2 able to accomplish a great deal, and I think most
3 importantly, our strength as an organization is not
4 only with the governance of the volunteer Board
5 Members, but in the quality and experience of our
6 staff team, and we've made significant strides
7 over the last 12 months to strengthen that,
8 particularly with bringing Jacob on, but also making
9 sure that we have a pipeline of talent and the
10 ability to ensure succession when people leave for
11 whatever reason.

12 So thank you for your support, and I
13 ask for your support for the budget going forward.

14 CHAIR GOETZ: Does anybody have any
15 questions, any other Members?

16 McCOY: Yes.

17 Six, just going back to the interest
18 and investment income, are we changing anything in
19 terms of the amounts we have invested or our
20 strategies?

21 GRANDA: I'm going to let Jacob answer
22 that.

23 MR. STUCKEY: Absolutely. The biggest
24 change that you'll see, in the last fiscal year, we

1 were in a raising rate environment early, and then it
2 kind of stabled off.

3 So as you see for the \$791,000, that
4 was partially in a lower interest rate environment.

5 Going into Fiscal Year 2020, we're
6 projecting that we'll have a stable investing
7 environment, maybe a slight decrease in rates, but we
8 are also going out -- we are planning on going out --
9 can I talk about our --

10 MEISTER: Let me set the stage, and then
11 I'll turn it back to you.

12 One of the many advantages of Jacob
13 joining us is that he has a deep professional
14 experience in the area of public funds investment
15 from his work at the Treasurer's Office.

16 So one of -- one of the elements of
17 the story of the past 12 months is one of the things
18 that reduced our operating loss to about 25 percent
19 of what we had projected in last year's budget was
20 that we benefited from overperformance versus budget
21 for investments.

22 We believe that the opportunity
23 remains for further overperformance, and doing that
24 more in an intentional fashion rather than an outcome

1 that I would describe, not being an investment
2 professional, being lucky, and luck is always good,
3 but we would like to build in a plan.

4 And so as part of that, one of the
5 things that we've been working on that we've received
6 Board authorization is to go out for a public
7 solicitation procurement for a new investment manager
8 or managers. You know, the current could bid. And I
9 think what we're looking at is going to be how we
10 maximize investment returns in an intentional planned
11 manner over the next 12 months.

12 STUCKEY: And the only thing that I'll add
13 to that is I believe that active management or
14 whomever your investment manager is will lead to
15 better results.

16 MEISTER: I hope that answers the question.

17 McCOY: It does.

18 CHAIR GOETZ: Any other questions?

19 (No response.)

20 CHAIR GOETZ: Hearing none, can we have a
21 motion to recommend this Resolution for approval?

22 POOLE: So moved.

23 McCOY: Second.

24 CHAIR GOETZ: All those in favor?

1 (Chorus of ayes.)

2 CHAIR GOETZ: Any opposed?

3 (No response.)

4 CHAIR GOETZ: The ayes have it.

5 Is there any other business to come
6 before the Members of this Committee?

7 (No response.)

8 CHAIR GOETZ: Hearing none, are there any
9 public comments for the Committee?

10 (No response.)

11 CHAIR GOETZ: Hearing none, I'd like to
12 request a motion to adjourn. Is there such a motion?

13 McCOY: So moved.

14 POOLE: Second.

15 CHAIR GOETZ: All in favor?

16 (Chorus of ayes.)

17 CHAIR GOETZ: Any opposed?

18 (No response.)

19 CHAIR GOETZ: The ayes have it, and the
20 meeting is adjourned.

21 OECHSLER: The time is 9:13 a.m.

22 (Whereupon, the above matter was
23 adjourned.)

24