

1 ILLINOIS FINANCE AUTHORITY

2 SPECIAL MEETING OF THE TAX-EXEMPT

3 CONDUIT TRANSACTIONS COMMITTEE MEMBERS

4 November 13, 2018, at 8:30 a.m.

5
6 REPORT OF PROCEEDINGS had at the Special

7 Meeting of the Tax-Exempt Conduit Transactions

8 Committee on November 13, 2018, at the hour of

9 8:30 a.m., pursuant to notice, at 160 North

10 LaSalle Street, Suite S-1000, Chicago, Illinois.

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1 APPEARANCES:

2 ILLINOIS FINANCE AUTHORITY

TAX-EXEMPT CONDUIT TRANSACTIONS COMMITTEE MEMBERS

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MR. BRADLEY R. ZELLER

4 MR. JAMES J. FUENTES

MR. MIKE GOETZ (via audio conference)

5 MR. E. LYLE McCOY (via audio conference)

MR. SHAUN MURPHY

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

7 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

8 MS. PAMELA LENANE, Vice President

MR. RICH FRAMPTON, Vice President

9 MR. BRAD FLETCHER, Vice President

MR. RYAN OECHSLER, IFA Associate General Counsel

10 MS. KATHY LYDON, IFA Federal Policy Director (via
audio conference)

11 MS. LORRIE KARCHER, IFA Agricultural/Rural
Development Financial Analyst (via audio

12 conference)

MR. WILLIAM ATWOOD, VP, Public Infrastructure Fund

13 MR. CAMERON WILSON, Intern

14 GUESTS:

15 MR. STEVEN HARRIS, TRANSAMERICA

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1 ZELLER: Okay. The hour of 8:30 has arrived.

2 Good morning, everybody. I've been
3 asked to lead this meeting of the Tax-Exempt Conduit
4 Transaction Committee as Committee Chair McCoy is
5 attending by audio conference.

6 I'd like to call the meeting to order.
7 Would the Assistant Secretary please take roll call.

8 OECHSLER: Yes. The time is 8:30 a.m.

9 Mr. Fuentes?

10 FUENTES: Here.

11 OECHSLER: Mr. Goetz, on the line?

12 GOETZ: Here.

13 OECHSLER: Mr. McCoy, on the line?

14 McCOY: Here.

15 OECHSLER: Mr. Murphy is not here.

16 And Mr. Zeller?

17 ZELLER: Here.

18 OECHSLER: Chair Anderberg, ex-officio,
19 non-voting?

20 ANDERBERG: Here.

21 OECHSLER: Member Zeller, a quorum of Committee
22 Members has been constituted.

23 ZELLER: Thank you.

24 Eric?

1 ANDERBERG: I'd like to note for the Committee
2 and for the record that, pursuant to my letter dated
3 November 7th, 2018, and circulated in this month's
4 Board Book, I've appointed Member McCoy Chair of the
5 Tax-Exempt Conduit Transaction Committee.

6 I'd like to welcome Member McCoy to
7 the position. I'd like to thank Member Horne for his
8 years of service as Committee Chair.

9 Mr. Zeller?

10 ZELLER: Thank you.

11 I'd like to -- does anyone wish to
12 make any additions, edits or corrections to the
13 Minutes from September 11th, 2018?

14 (No response.)

15 ZELLER: Hearing none, I would like to request
16 a motion to approve the minutes.

17 Is there such a motion?

18 FUENTES: So moved.

19 ZELLER: And a second?

20 (No response.)

21 ZELLER: Do I have a second by video -- audio?

22 GOETZ: A second. Yeah. This is Mike.

23 Second.

24 ZELLER: Yeah. We have a second.

1 All those in favor?

2 (Chorus of ayes.)

3 ZELLER: Opposed?

4 (No response.)

5 ZELLER: The ayes have it.

6 I'd like to ask for the general
7 consent of the Members to consider each of the New
8 Business items collectively and have subsequent
9 recorded vote applied to each respective, individual
10 item, unless there are any specific New Business
11 items that a Member would like to consider
12 separately.

13 If there's a need to recuse or abstain
14 or an expectation that you are going to vote "No" on
15 any business item, now's the time to inform the other
16 members.

17 GOETZ: This is Mike Goetz. I would like to
18 recuse myself from any deliberations and voting with
19 respect to Item 2, the LiUNA Chicagoland Laborers'
20 District Council Training and Apprentice Fund of the
21 New Business items due to professional conflicts.

22 ZELLER: Okay. With that being stated, I would
23 request that we change the order of the agenda to
24 consider Items 1, 3A, 3B, 4, and 5 for a roll call

1 and then consider Item 2 for a second roll call vote.

2 With that being said, Mr. Fram- -- or

3 No. 1, Pam, you're up.

4 LENANE: Yes.

5 No. 1, Westminster Village, is located
6 in Bloomington, Illinois, and is requesting that the
7 Authority approve a one-time Final Bond Resolution
8 authorizing the issuance of bonds in the amount not
9 to exceed \$72,500,000. The bond proceeds of the
10 Series 2018A Bonds in the amount of approximately
11 \$20 million will be used by Westminster to refund the
12 IFA's Series 2013 and 2017 direct bank placement
13 Bonds.

14 The proceeds from the Series 2018B
15 Bonds in the amount of approximately \$30 million will
16 primarily fund Phase II -- fund Phase II of the
17 campus expansion and repositioning; fund a debt
18 service reserve on the 2018A Refunding Bonds; fund
19 interest on the 2018B New Money Bonds for a period of
20 20 months; and to pay costs of issuance.

21 Phase II includes the construction of
22 a new three-story, 80,500-square-foot assisted living
23 building, consisting of 72 units, 12 of which will be
24 designated for memory care.

1 Following the occupation of the new
2 72-unit assisted living building, the existing
3 vacant -- vacated 52 assisted living units, including
4 the dining and common space, located on floors 2 and
5 3 of the apartment building, will be converted to 50
6 independent living units.

7 Upon completion of the proposed
8 project, Westminster Village will expand from 328
9 units to 398 units overall. The project will create
10 approximately 70 construction jobs and 14 new jobs.

11 The bonds will be nonrated.
12 Westminster Village contemplates issuing the Series A
13 Tax-Exempt Bonds -- Fixed-Rate Bonds through a public
14 offering by B.C. Ziegler & Company concurrently with
15 the -- issuing the Series 2018B Bonds, which will be
16 a direct bank placement with First Midwest Bank.

17 Westminster Village has requested that
18 the Authority waive its policy regarding issuance of
19 nonrated bonds with respect to the fixed-rate bond
20 and be able to issue the bonds in denominations lower
21 than \$100,000.

22 The borrower has informed the
23 Authority that they will satisfy the conditions for
24 such a waiver because the borrower's not currently in

1 default on any bonds. The borrower has not missed a
2 payment relative to any bonds immediately preceding
3 three years, and the fixed-rate bonds are being used
4 to refund prior bonds, which are nonrated. Such --
5 and such refunding will also result in a positive
6 impact on the financial viability of Westminster
7 Village.

8 If you look at the financials, they
9 have strong financials with debt service ratios of
10 7.79 and 446 days on cash -- cash on hand. I think
11 that's one of the highest I've seen in senior living,
12 debt service ratio and cash on hand.

13 Barb Nathan, the executive director of
14 Westminster Village, will be here at the Board
15 meeting to say thank you and tell you about the
16 project.

17 Any questions?

18 McCOY: Hey, Pam. It's Lyle.

19 Quick question: What is not rated on
20 these Bonds?

21 LENANE: Well, these bonds are being issued by
22 Ziegler, and they -- they have an app- -- their
23 customers have an appetite for nonrated debt because
24 they will receive a higher interest payment. It's

1 sort of the Ziegler model.

2 Now, there are some who believe that
3 these could be rated BBB, but that's not the way
4 Ziegler does their issuances.

5 McCOY: Okay. Also, just a quick one, when
6 they changed contracts, you note on the -- whatever
7 you --

8 LENANE: Oh. MDNA? Here.

9 Yeah?

10 McCOY: What -- what -- were they -- was that
11 just changing its common line with the circulated
12 [sic] market with similar prices?

13 LENANE: I would expect that's the reason, but
14 I can check.

15 McCOY: I was just curious. It's not a --

16 LENANE: Yeah.

17 McCOY: It's not an issue.

18 LENANE: Okay. Well, I can check when
19 they'll -- they'll be here and see why they've
20 changed them.

21 McCOY: Thank you.

22 LENANE: Okay. Thanks.

23 ZELLER: Any more questions?

24 (No response.)

1 ZELLER: Moving on, is Ms. Karcher on the line?

2 KARCHER: Yes. I'm here.

3 ZELLER: Will you go ahead with Item 3A and 3B,
4 please.

5 KARCHER: Okay. Item 3A a one-time Final Bond
6 Resolution requesting approval for a Beginning Farmer
7 Bond for Joseph Marchello, who is purchasing 119
8 acres of farmland in Bond County, in the
9 not-to-exceed amount of \$400,000. Bradford National
10 Bank is the purchasing Bank for conduit transaction.

11 Item 3B is for a one-time Final Bond
12 Resolution requesting the approval for a Beginning
13 Farmer Bond for Adam Anthony and Susan J. Klingler,
14 who is purchasing 20 acres of farmland, including
15 three buildings, in Richland County, in the
16 not-to-exceed amount of \$191,500. First National
17 Bank is the purchasing bank for this conduit
18 transaction.

19 That concludes the two Beginning
20 Farmer Bonds. Does anyone have any questions?

21 (No response.)

22 ZELLER: No. Thanks, Lorrie.

23 KARCHER: You're welcome. Thank you.

24 ZELLER: Item 4.

1 Mr. Fletcher?

2 FLETCHER: Sure.

3 Committee Members, next, is tab 4 in
4 your Board Books, which is a Final Bond Resolution on
5 behalf of School District No. 95, here in Cook
6 County, in a not-to-exceed amount of \$15 million.

7 This public school district provides
8 education for students in grades kindergarten through
9 8th, with students attending Brook Park Elementary
10 School located in La Grange Park for grades
11 kindergarten through 5th, and then attending
12 SE. Gross Middle School located in Brookfield for
13 grades 6 through 8.

14 Their current enrollment capacity is
15 only 1,000 students, with an additional 176 students
16 receiving education in temporary modular units at
17 this time. So they're over capacity.

18 The district also forecasts increased
19 enrollment over the next four years, and accordingly
20 has embarked on an ambitious \$35 million overhaul of
21 their two educational facilities to increase capacity
22 to 1,500 students.

23 Back in April 2017, voters of the
24 district approved the referendum to issue

1 approximately \$20 million of general obligation bonds
2 to help finance the first part of the \$35 million
3 project. Those Go Bonds were issued in December 2017
4 as well as July 2018.

5 Now, the district is seeking to issue
6 bonds through the Authority for the remaining
7 \$15 million tranche in order for construction to be
8 completed over the remaining eight months.

9 To the transaction before you, the
10 remaining project costs are, again, estimated to be
11 approximately \$15 million, with additional funds for
12 capitalized interest and cost of issuance.

13 As proposed, the Bonds will be
14 publicly offered and underwritten by Raymond James &
15 Associates. The Bonds were assigned a Aa2 rating by
16 Moody's as of October 31st.

17 As with all conduit local government
18 transactions at the Authority, proceeds of the IFA
19 Bond issue in turn purchase local government
20 securities issued by the district. As a result,
21 bondholders will benefit from both state tax
22 exemption and federal tax exemption for the Illinois
23 bondholders.

24 The underlying local government

1 securities are being issued as ultimate revenue
2 bonds, and a summary of the Illinois law governing
3 ultimate revenue bond structure is provided on
4 page 11 of the report in front of you, which also
5 follows a map of the district that can be found on
6 page 10.

7 Turning to page 12 in the confidential
8 section of the report, we've provided various
9 summaries of financial information that is derivative
10 of our view of the preliminary offering statement as
11 well as the District's audited financial statements.

12 Additionally, various experts from the
13 POS, which will be shared with potential investors,
14 are provided as well.

15 Notably, on table 11, on page 15 in
16 the confidential section, calculates the district's
17 available legal debt margin. You'll note that this
18 Bond Issue, as with the district's general obligation
19 Bond issues I previously mentioned in April 2017 and
20 July of 2018 for this project do not count against
21 the district's legal debt margin. This is due to an
22 act of the legislature and the governor, Public Act
23 100-0503. This probably sounds familiar to the
24 Members of this committee. This legislative

1 exception is the same one that allowed IFA to issue
2 Bonds on behalf of School District No. 3 in Skokie
3 back in August.

4 So we recommend approval, and I'm
5 happy to answer any questions.

6 (No response.)

7 ZELLER: Hearing none, then Mr. Frampton,
8 Item 5.

9 FRAMPTON: Thank you. Yes.

10 Next, we'll move on to Item 5, which
11 is also page 82 in the Tax-Exempt packet. The
12 borrower is CenterPoint Joliet Terminal Railroad LLC.

13 This relates to a Resolution in
14 connection with CenterPoint Series 2010, 2012, 2016,
15 and 2017 Bonds. To date, IFA has issued \$455 million
16 of Bonds to finance qualified capital expenditures at
17 the CenterPoint Intermodal Center in Joliet, which is
18 a rail-to-truck, truck-to-rail intermodal facility
19 located near I-55 in the Arsenal Road interchange in
20 the city of Joliet.

21 The subject Resolution authorizes the
22 execution and delivery of an omnibus amendment to all
23 four Bond issues that will amend the interest rate
24 formula contained within the bank rate credit

1 agreement for each of the Bonds.

2 What this will do is reflect changes
3 in the corporate taxation rate that resulted from the
4 Tax Cuts and Jobs Act of 2017, going into effect on
5 January the 1st. So the margin factor will reflect
6 that change in corporate taxation rate from 35
7 percent down to 21 percent.

8 In addition to that, there will be
9 other miscellaneous changes in the definitions, and,
10 in particular, this amendment will also provide for
11 the concept of an alternative rate to substitute for
12 Libor, when Libor is no longer in effect.

13 The Bonds are currently held by
14 CenterPoint's multi-bank lending syndicate. The
15 members of that syndicate -- the six banks that are
16 in that syndicate, which is led by SunTrust, are
17 listed on page 3 of the report.

18 Again, the Authority's issued \$455
19 million of Bonds for the project since December of
20 2010. The U.S. Department of Transportation
21 allocates bonding authority for the project.
22 CenterPoint has the ability to issue another \$150
23 million for this project. And information regarding
24 the Bond issues to date as well as IFA's amendment

1 fee are presented on page 11 of the report.

2 Page 12, the very last page in the
3 tab, contains a graphic -- contains a map that
4 indicates all the current tenants at both the Joliet
5 intermodal facility, which is the facility that IFA
6 has financed, and also the BNSF facility, which is in
7 the Village of Elwood. And, again, IFA has just
8 issued bond- -- has only issued Bonds for the Joliet
9 intermodel facility.

10 With that, I will conclude my remarks
11 and turn things back over to the Chair.

12 FLETCHER: Of course, we print the map in color
13 given its significance, so please take a look.

14 MR. STEVEN HARRIS: I must have got the wrong
15 copy.

16 FLETCHER: In the book --

17 FRAMPTON: In the book, it actually is in
18 color. So...

19 ZELLER: So is there any questions for
20 Mr. Frampton?

21 (No response.)

22 ZELLER: Okay. Hearing none, I would like to
23 request a motion to pass and adopt the following New
24 Business items: Items 1, 3A, 3B, 4, and 5.

1 Is there such a motion?

2 FUENTES: So moved.

3 ZELLER: I have a motion.

4 Do I have a second?

5 McCOY: Second. This is McCoy.

6 ZELLER: We have a second.

7 Will the Assistant Secretary please
8 take the roll call?

9 OECHSLER: On the motion and second, I will
10 call the roll.

11 Mr. Fuentes?

12 FUENTES: Yes.

13 OECHSLER: Mr. Goetz, via audio conference?

14 GOETZ: Yes.

15 OECHSLER: Mr. McCoy, via audio conference?

16 McCOY: Yes.

17 OECHSLER: And Mr. Zeller?

18 ZELLER: Yes.

19 OECHSLER: Member Zeller, the motion carries.

20 ZELLER: Thank you. Now, we'll move on to

21 Item 2. Mr. --

22 GOETZ: So I'll get off the phone.

23 ZELLER: Yeah. Mike, thanks for calling in.

24 GOETZ: Okay. Yeah.

1 OECHSLER: Please let the record reflect that
2 Member Goetz has terminated his participation via
3 audio conference.

4 FRAMPTON: Okay. Again, next, we'll move on to
5 Item 2, which is page 55 in the Tax-Exempt packet.
6 This is a one-time consideration for a Final Bond
7 Resolution for LiUNA Chicago [sic] Laborers' District
8 Council Training and Apprentice Fund. The
9 not-to-exceed amount on this Bond issue is \$26
10 million.

11 The financing, if you look at the
12 sources and uses table contained at -- presented at
13 the bottom on page 1, there are two primary
14 components of the financing. First, there will be a
15 new money project. The Series 2018C and D Bonds will
16 be issued in the approximate amount of \$13,844,000
17 the proceeds of the new money issue will be used to
18 construct a 53,000-square-foot addition to the Fund's
19 existing \$70,000-square-foot facility. That
20 70,000-square-foot facility was issued with pro- --
21 with proceeds of a \$22.5 million IFA Bond issue back
22 in 2008.

23 The principal balance of the 2008
24 Bonds will have been paid down to approximately

1 \$12,156,000 at the time of this refunding. In 2017,
2 the Board actually approved a resolution that enabled
3 the Fund to convert their existing
4 letter-of-credit-secured, floating-rate Bond issue
5 to a bank-purchased Bond issue that was purchased by
6 Wintrust. Wintrust is continuing on as the bank in
7 this financing.

8 So --

9 OECHSLER: Can I interrupt for a second, Rich?

10 FRAMPTON: Sure.

11 OECHSLER: Can we please let the record show
12 that Member Murphy has joined the meeting.

13 MURPHY: Thank you.

14 FRAMPTON: Okay. And we are on Item 2 for the
15 LiUNA Chicagoland Laborers' District Council Training
16 and Apprentice Fund, which is tab 2 in the Board Book
17 and page 55 -- it begins on page 55 of the Tax-Exempt
18 packet.

19 MURPHY: Okay.

20 FRAMPTON: Okay. So just to recap:
21 not-to-exceed amount for this Bond issue, which will
22 be purchased by Wintrust, is \$26 million. It will be
23 comprised of two series of -- an approximately \$13.8
24 million new money series, the proceeds of which will

1 be used to construct a 53,000-square-foot addition to
2 the Fund's existing 70,000-square-foot facility.

3 That 70,000-square-foot facility was
4 originally financed with an IFA Bond issue in 2008,
5 which will be refunded for a second time here. So
6 they paid down principal amount of the 2008 Bonds
7 from \$22,500,000 to approximately \$12.1 million. And
8 following this new financing, their total debt will
9 be \$26 million. So it's not a significantly larger
10 amount than what they had outstanding originally back
11 in 2008.

12 Just in terms of background on the
13 Fund, that is described on pages 2 and 3 of the
14 report. The Fund was formed in 1986. They -- the
15 Fund constructed their first training facility in
16 Carol Stream in 1990. They expanded in 2009 to add
17 this Chicago facility. And one of the key impacts of
18 this project is described in the second paragraph on
19 page 3 of the report, namely, the Fund's training
20 provides an opportunity for non-college-bound
21 students to obtain a career pathway through an
22 employer-sponsored apprenticeship that pays a living
23 wage, \$25 per hour initially, rising to approximately
24 a \$42-per-hour journeyman wage by the end of the

1 two-year apprenticeship, which also provides health
2 insurance and pension benefits.

3 In terms of eligibility, any employee
4 who has worked or wishes to work for any employer
5 covered under the collective bargaining agreement of
6 the Council, which is the Construction and General
7 Laborer's District Council of Chicago and Vicinity,
8 AFL-CIO and its affiliated local unions, is eligible
9 to participate in this training.

10 And the training includes courses in
11 safety supervision and industry certification. The
12 LiUNA programs are among the few trade organizations
13 that have received independent third-party
14 accreditation, which is provided through ANSI, which
15 is the American National Standards Institute.

16 Just in terms of the financials, that
17 presentation begins on page 6. Cash flow is --
18 historical cash flow is very strong. In fact, the
19 forecast presentation assumes virtually no revenue
20 growth going forward -- two and three -- two percent
21 in 2019 and 24 percent in 2021 -- yet, even with
22 existing revenues is sufficient to easily cover the
23 proposed new debt associated with the -- associated
24 with the project.

1 Just a couple of notes on the
2 financial presentation. The 2015 results have been
3 normalized to remove \$685,000 of an expiring two-year
4 contract. Even with that, historic debt service
5 coverage has been 2.53 times or greater, and the
6 stress coverage in 2021 is 2.66 times. So that's
7 even without assuming the proposed or actual
8 contractual increase in the employer contributions
9 that are noted in the box on page 7.

10 The employer contribution are -- have
11 been over 90 percent of total revenue. As a result
12 of the contract rate, the employer contribution will
13 be increasing very significantly. That will also
14 provide additional assurance that they'll be able to
15 meet debt service coverage.

16 Just as importantly, their balance
17 sheet indicates very strong liquidity. They have --
18 the Fund has almost two years of operating cash.
19 They are also contributing \$2.5 million towards to
20 project. So very strong project, both in terms of
21 historical cash flows, balance strength and
22 liquidity, and -- and just in terms of the results of
23 their mission, there is a lot to like about this
24 particular project.

1 With that, I'll conclude my remarks
2 and turn things back over to Chairman Zeller.

3 ZELLER: Does anyone have any questions
4 concerning this item?

5 (No response.)

6 ZELLER: Okay. I'd like a request a motion to
7 pass and adopt the following New Business Item 2.

8 Is there such a motion?

9 FUENTES: So moved.

10 ZELLER: Is there a second?

11 MURPHY: Second.

12 ZELLER: We have a motion and a second.

13 Will the Assistant Secretary please
14 take roll call?

15 OECHSLER: On the motion and second, I will
16 call the roll.

17 Mr. Fuentes?

18 FUENTES: Yes.

19 OECHSLER: Mr. McCoy, via audio conference?

20 McCOY: Yes.

21 OECHSLER: Mr. Murphy?

22 MURPHY: Yes.

23 OECHSLER: And Mr. Zeller?

24 ZELLER: Yes.

1 OECHSLER: Member Zeller, the motion carries.

2 ZELLER: Thank you.

3 Next, I'd like to go -- is there any
4 other business to come before the Committee?

5 (No response.)

6 ZELLER: Hearing none, is there any public
7 comment for the Committee?

8 (No response.)

9 ZELLER: Hearing none I would request a motion
10 to adjourn.

11 Is there such a motion?

12 FUENTES: So moved.

13 MURPHY: Second.

14 ZELLER: We have a motion and a second.

15 All those in favor?

16 (Chorus of ayes.)

17 ZELLER: Opposed?

18 (No response.)

19 ZELLER: The motion carries.

20 Thank you.

21 OECHSLER: The time is 8:58 a.m.

22 (Whereupon the above
23 matter was adjourned.)

24