MINUTES OF THE DECEMBER 13, 2011, MEETING OF THE LEGISLATIVE AFFAIRS COMMITTEE OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY

The Board of Directors (the "Board") of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held a Legislative Affairs Committee (the "Committee") Meeting at 7:30 a.m. on December 13, 2011, at the Chicago Office of the Illinois Finance Authority, 180 North Stetson Avenue, Suite 2555, Chicago, IL 60601.

Board Members Present:

Terrence M. O'Brien, Committee Chairman
William A. Brandt, Jr.
Edward H. Leonard, Sr.
Roger E. Poole

IFA Staff Present:

Christopher B. Meister, Executive Director
Sohair Omar, Policy and Operations Analyst
Brad R. Fletcher, Legal/Financial Analyst

Board Members Absent:

Gila J. Bronner
John E. Durburg
Barrett F. Pedersen

Other Participants Present:

Howard Kenner, Howard Kenner
Amalia Rioja, Governor's Office of Management & Budget (joined meeting at 7:46 a.m.)

GENERAL BUSINESS

I. Call to Order and Roll Call

Chairman O'Brien called the Committee meeting to order at 7:35 a.m. with the above Board Members, IFA staff and other participants present. The Chairman asked Mr. Fletcher to call the roll. There being four Members present and three Members absent, Mr. Fletcher informed the Chairman the threshold for a quorum of the Committee had been met.

II. Legislative Accomplishments

Mr. Kenner, a Legislative Liaison under contract with IFA, proceeded to thank Executive Director Meister for his ability to cultivate relationships with members of the General Assembly and for his continued professionalism during the legislative process. Mr. Kenner also thanked IFA staff for their diligence in fostering an efficient, response environment to inquiries from members of the General Assembly. Based on Mr. Kenner's history as a State Representative and lobbyist, it is for these foregoing reasons that IFA found success in pursuing its legislative initiatives.

Mr. Kenner presented the following legislative accomplishments to the Committee:

Item A: **HB 5854 (Public Act 96-1021, effective date July 12, 2010)**

Allowed multistate federally tax-exempt financings as long as there are demonstrated public and economic benefits to the people of Illinois. This tool helps encourage national not-for-profit organizations to locate their headquarters within Illinois, particularly important given the consolidation trend for healthcare systems nationwide. This Act is vital for the IFA maintaining its preeminent position as a leading national conduit issuer for healthcare, educational, and general non-profit organizations. In Fiscal Year 2011, this Act was responsible for over $80,000 in fees to the IFA. It is anticipated that this figure will increase in the future.

Executive Director Meister informed the Committee that the IFA was closing its first multistate bond issue later in the week. Mr. Brandt inquired as to how bond proceeds of the issuance would be utilized within Illinois versus outside of Illinois; Executive Director Meister informed Mr. Brandt that the headquarters of the 501(c)(3) borrowing entity would be located within the jurisdiction of Illinois. He further added that this is an example of how multistate legislation makes IFA competitive.

Item B: **SB 2505 (Public Act 96-1496 effective date January 13, 2011)**

Allows the IFA to purchase special service area bonds or agreements relating to public and private green special service area projects in the State.

Item C: **SB 3776 (Public Act 96-1493, effective date January 1, 2011)**

Increased transparency and accountability in conduit bond finance with respect to Host TEFRA process when the issuer is not directly accountable to Illinois policy makers. This Act, which addressed complex issues of federalism and State sovereignty, was used as a model by legislatures in other States (WA; MA; RI) to address a developing national issue in the world of conduit finance: Issuers backed by private investors that are unaccountable to constitutional policy-makers in States.

Item D: **SB 3719 (Public Act 96-0897, effective date May 24, 2010)**

Allowed stranded, appropriated funds to be effectively utilized as an additional reserve fund to support the IFA's existing portfolio of Agricultural Guarantee loans in a time of recession as well as allowing for working capital agricultural guarantees. This Act is essential to both reinvigorating the IFA longstanding agricultural guarantee programs.

Executive Director Meister opined on the importance of this legislation in connection with the REG, LLC Agricultural Loan Guarantee heretofore in the IFA portfolio. He further explained the importance of this legislation for Agricultural Loan Guarantees prospectively in the future.

Item E: **HB 2369 (Public Act 96-1020, effective date July 12, 2010)**

Allowed the voluntary pooling of federal stimulus financing tools such as Recovery Zone Bonds and Qualified Energy Conservation Bonds by local governments in order to maximize the use of their respective, limited allocations before the expiration of the federal Recovery Zone program. This Act was essential for the IFA to play a role in maximizing this now sunset (December 31, 2010) federal stimulus tool. This Act was responsible for over $211 million in conduit bonds issued by the IFA, including the Navistar job retention and creation project, as well as for over $900,000 in unanticipated revenue to the IFA in Fiscal Year 2010.

Item F: **SB 1906 and SB 390 (Public Act 96-103 and Public Act 96-817, effective date January 1, 2010)**

Clarified contingent State-backed credit enhancement (moral obligation/additional security) for energy efficiency, renewable energy and clean coal projects including $3.23 billion in bonding authority.

Item G: **SB 260 (Public Act 96-531, effective date August 14, 2009)**

Increased the loan limit for Beginning Farmer Bonds to $450,000 and allows this amount to increase with inflation. This Act ties the IFA Beginning Farmer Bond program to federal law. This Act is essential to keeping the IFA Beginning Farmer Bond program viable in the context of current land valuations.

Item H: **HB 442 Amendment 1 (Passed Both Houses; Awaiting Governor's Approval)**

Allows the IFA to convert certain existing agreements for financial aid to permanent capital to leverage additional private capital and establish a revolving loan fund for non-profit corporations providing human services providing human services under contract to the State. The IFA sought this legislation to clarify the General Assembly's intent regarding an appropriated zero-interest loan from an IFA predecessor to the IFF (formerly, the Illinois Facilities Fund). The IFF, a nonprofit lender and real estate consultant with more than $220 million in assets, complements the mission of the IFA. The IFF is dedicated to strengthening nonprofits and the communities they serve.

Following Mr. Kenner's presentation of legislative accomplishments, Executive Director Meister added that SB 3776 (Item C above) advanced through the veto session of the previous General Assembly last year and it will assist IFA in fighting alongside existing local and state-based conduits that question the need for a national issuer of tax-exempt debt and worry about the resulting competition.

Furthermore, Executive Director Meister explained that the passage of HB 2369 (Item E above) was largely responsible for IFA exceeding budget revenues in Fiscal Year 2011.

Finally, Executive Director Meister noted for the Committee that the Legislative Audit Commission is asking IFA to clarify its responses to last year's audit and the Committee will be kept apprised, accordingly.

III. Legislative Proposals for 2012

Chairman O'Brien requested that Executive Director Meister advise the Committee of IFA's legislative proposals for 2012.

Executive Director Meister presented the following legislative initiatives for discussion by the Committee:

Item A: **Procurement**

Executive Director Meister opined that the current procurement system of the State of Illinois is burdensome for the IFA and, as a result, IFA may seek certain exemptions from the protracted process of procuring goods and services from vendors as currently contemplated by the Illinois Procurement Code.

Furthermore, Executive Director Meister noted that the IFA would like to increase the 10-year cap on contracts for energy efficiency and/or student housing in connection with its bond issues because more often than not bonds are issued with amortizations of 30 years and the energy savings is distorted by the 10-year cap. In fact, the IFA would like to propose a restriction on the General Assembly reducing utility appropriations due to cost savings that result from energy efficiency initiatives.

Item B: **Programs**

Executive Director Meister stated that the 0% APR Fire Truck and Ambulance Revolving Loan Programs are inefficient. Chairman Brandt noted that the Fire Truck and Ambulance Revolving Loan Programs are effectively a subsidized loan; with the Federal Funds Rate so low, it is conceivable that a more creative, better designed financing tool can be created to achieve the public policy goal of the Fire Truck and Ambulance Revolving Loan Programs.

Executive Director Meister then explained to the Committee that regional authorities created by the General Assembly throughout the State enjoy the ability to issue debt that is not only federally tax-exempt, but also exempt from Illinois Income tax for respective bondholders. Upon inquiring as to the history and longevity of these regional authorities, Mr. Poole informed the Committee how the Southwest Illinois Development Authority ("SWIDA") has regional Board Members but is operated by Mr. Andy Hamilton of Chicago on a contractual basis. Then, Chairman Brandt reiterated to the Committee his belief amending the double tax-exemption for bondholders of debt issued by these regional authorities is not worth the legislative effort; rather, it is his belief that a wholistic approach is needed with the inclusion of the Governor's Office of Management & Budget due to the evolution and history of these regional authorities. Mrs. Rioja noted that she would be happy to serve as a liaison on this matter.

Next, Executive Director Meister proclaimed his desire to re-direct a portion of the $3 billion in moral obligation bonding authority by the IFA for broadband and infrastructure purposes which is currently designated solely for energy uses. In addition, he noted that the Property Assessed Clean Energy ("PACE") Program is not favored by bankers and may not be a viable tool given the real estate market and corresponding taxation.

Finally, Executive Director Meister stated that the Illinois Finance Authority Act, like many other laws that comprise the Illinois Compiled Statutes, continues to cause consternation through its use of clauses that originate with "shall" instead of "may"; it is his hope that legislative relief can be provided at the opportune time.

IV. Other Business

Mr. Brandt noted for the Committee that while the REG, LLC Agricultural Loan Guarantee is no longer a liability in IFA's portfolio, the Committee will need to continue to monitor the $40 MM Illinois Finance Authority, Series 2006 (Illinois Medical District Project) bond issue which utilized the moral obligation of the State.

Chairman O'Brien thanked Mr. Brandt and Mr. Kenner for their insightfulness and comprehensive understanding of the legislative process.

Finally, Mr. Brandt noted for the Committee that the Chicago Cubs are still pursuing options in connection with the modernization of Wrigley Field.

V. Public Comment

There were no public comments made before the Committee.

V. Adjournment

Chairman O'Brien asked if there was to be any other business to be before for the Committee. Hearing none, Chairman O'Brien adjourned that meeting at 8:36 a.m.

Minutes submitted by:
Brad R. Fletcher,
Legal/Financial Analyst