ILLINOIS FINANCE AUTHORITY
SPECIAL MEETING OF THE TAX-EXEMPT CONDUIT
TRANSACTIONS COMMITTEE
July 13, 2017, at 8:32 a.m.

Report of Proceedings had at the Special Meeting of the Tax-Exempt Conduit Transactions Committee of the Illinois Finance Authority on July 13, 2017, at the hour of 8:30 a.m., pursuant to notice, at 160 North LaSalle Street, Suite S1000, Chicago, Illinois.

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APPEARANCE:

COMMITTEE MEMBERS

MR. ROBERT HORNE, Chair (Via audio conference)
MR. MICHAEL W. GOETZ
MR. LYLE McCOY
MS. ARLENE JURACEK
MR. BRAD ZELLER
MR. GEORGE OBERNAGEL (Via audio conference)
MR. ERIC ANDERBERG, Ex-Officio

ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

MR. BRAD FLETCHER, Assistant Vice-President
MR. RICH FRAMPTON, Vice-President
MS. PAMELA LENANE, Vice-President
MR. CHRISTOPHER B. MEISTER, Executive Director
MR. PATRICK EVANS, Agricultural Banker

VICE-CHAIR McCOY: I would like to call the meeting to order, if I can, and ask the assistant secretary to call the roll, please.

FLETCHER: The time is 8:32. I'll take the roll. Mr. Goetz?

GOETZ: Yes.

FLETCHER: Ms. Juracek?

JURACEK: Yes.

FLETCHER: Vice-Chairman McCoy?

VICE-CHAIR McCOY: Yes.

FLETCHER: Mr. Obernagel on the line?

OBERNAGEL: Yes.

FLETCHER: Mr. Zeller?

ZELLER: Yes.

FLETCHER: And Chairman Horne on the line?

CHAIRMAN HORNE: Yes.

FLETCHER: Mr. Committee Vice-Chair, a quorum of Committee Members has been constituted.

VICE-CHAIR McCOY: Thank you very much. I would like to move on to Section 2, Review and Adoption of the Tax-Conduit Transaction Committee meeting from June 8th, 2017.

Does anybody wish to make any additions, edits, corrections to the minutes from that day?

Hearing none, I would like to request a motion to approve the minutes. Is there such a motion?

GOETZ: So moved.

OBERNAGEL: Second, Obernagel.

VICE-CHAIR McCOY: Thank you. All those in favor?

(A chorus of ayes.)

VICE-CHAIR McCOY: Opposed?

(No response.)

VICE-CHAIR McCOY: The ayes have it. Moving on, then, to the Presentation and Consideration of the Project Reports and Resolutions, I would like to ask for the general consent of the Members to consider the Project Reports and Resolutions collectively, and to have the subsequent recorded vote apply to each respective individual Project and Resolution, unless there are any specific Project Reports and Resolutions that a Member would like to consider separately.

GOETZ: Yeah, I would like to recuse myself on item No. 3, the Chicagoland Laborers'. I don't really have an employment relationship. It's an affiliation relationship, really.

VICE-CHAIR McCOY: Okay. I would like to ask the staff now to present the Project Reports and Resolutions, which will be considered collectively first.

We will then consider item 3 separately at the end. Okay. Mr. Frampton?

FRAMPTON: Thank you very much. We'll begin with item 1, Bradley University. This is tab 2 in your Board books.

Bradley University is requesting an approval of a Final Bond Resolution in an amount not to exceed $95,000,000. This transaction, as it's being proposed and presented, is really two transactions in one.

The first transaction is for a new money project that will involve the construction of a new approximately $100,000,000 academic building. It will be five stories, 271,000 square feet.

It will provide a combined facility for Bradley's School of Engineering and their College of Business. And in the process of developing the buildings, they will be demolishing two buildings and constructing one larger kind of L-shaped building to take the place of the demolished

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facilities.

This project is going to be developed in two phases. The first phase will be completed in 2019. The second phase will be completed in 2021. In order to accomplish that, Bradley will be issuing drawn-down bonds.

At closing the bonds will not be -- the $50,000,000 in bonds that will finance the $100,000,000 new money project will not be escrowed. Rather, the bond proceeds will be originated as they need to make draws to pay construction costs.

So the banks are structuring in that manner, so there won't be a closing with the funds going into the construction funds. Rather, the bond proceeds will just be drawn as needed to pay construction costs; and at that time, it will essentially be permanent-term financing.

In terms of the structure, the $50,000,000 Series A -- 2017 A and B new money bonds, will be sold in two separate series of $25,000,000 each.

One will be purchased by PNC Bank. The other series will be purchased by Morton Community Bank.

The parameters provided on the new money series will be for a maturity of up to 40 years.

They're really anticipating the final maturity date to be around 30 years on the new money bonds. And since the A and B bonds will be bank purchased, they will not be rated.

The second part of the financing will be a refunding of the University's Series 2007 A bonds. Those bonds are in the market now. They were sold with Bradley's underlying rating.

Back in April, Bradley applied to S&P for a ratings update on all their debt; and, specifically, their April ratings application was made to reflect the impact of the $50,000,000 of new bank purchased bonds on Bradley's operations.

Back in April, when they applied to S&P, they were not contemplating this refunding. Since then, they believe that there may be a market opportunity to current refund the 2007 A bonds for debt service savings. So that's the rationale for pursuing the new $45,000,000 refunding, which will be the Series C bonds.

In connection with Series C, they will be -- Bradley will be applying to S&P for a -- for ratings on the Series 2017C issuance. Given the fact that -- and let me back up a minute.

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S&P, on April 28th, assigned an A- rating to Bradley and the 2007 A bonds that will be refunded. That, again, reflected the impact of the new project on Bradley's operations.

And the ratings decision, back in April, actually resulted in the downgrade of Bradley's credit rating from single A to single A-; but, again, it reflected the new project.

In addition to the rating the University A- at that time, S&P also assigned a stable outlook for the next two years.

The -- because the refunding bonds will not be undertaken, unless they generate present value savings, we can reasonably assume that any debt service savings will only improve debt service coverage going forward. So, you know, I think we can reasonably expect S&P's rating to stay in that A- range.

Just turning to the financial -- to the financials on page 9, you'll note that despite undergraduate enrollment increases, the University's net tuition revenues stayed roughly steady from 2014 to 2016.

Most significantly, though, fiscal 2016

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represented a low point in terms of undergraduate enrollment. Since that time, if you look at page 11, there's a table on the top right-hand side that reports enrollment trends from 2014 and going forward into 2018.

The 2018 information has not been reported by the University to the rating agencies, nor is it then posted on EMMA yet, but comments relating that -- relating to that are in the box below.

But in terms of what is publicly available, as of 2017, if you look at full-time equivalent enrollment, and in the second column incoming the table, 2017 enrollment -- in 2017, the new in freshman class, which is really Bradley's most important driver of revenues because it represents four years of enrollment generally, if that's picked up, and if you look at the new freshman enrollment, which is the third column in the table, you can see how that trend has progressed.

It's definitely progressed positively, and compared to April, when the 2017-'18 enrollments were just tentative, the number reported there, those are hard contract numbers. So that should be viewed as another credit positive.

One other thing just to note that's significant is their graduate enrollment head count, which also includes online graduate courses, that has picked up significantly, and that's helped offset some of the downturn in freshman enrollments that were posted in '15 and '16.

So, overall, just turning back to page 9, and the debt service coverages, even in 2016, they posted a pretty decent debt service coverage ratio, even though they posted an operating loss.

And, again, 2016 represents a valley, in terms of their full-time equivalent enrollment. The proforma 1.63 coverage that's reported still exceeds their covenant going forward.

And because of the enrollment increases, it's likely to be a good deal better than that, but that proforma debt coverage includes forecast -- their forecast payments on the new $50,000,000 bond issue as of 2021, which is the first year they expect to be making all payments on that bond issue.

So, you know, their performance has been good. It's pretty clear that the University has made good progress in bringing in new freshmen enrollment.

The new project is a key part of their strategic plan to maintain -- not only maintain, but to improve their competitive position in both engineering and business, compared to their peers, and we recommend approval.

VICE-CHAIR McCOY: Thank you.

FRAMPTON: Are there any questions?

VICE-CHAIR McCOY: I guess I have a comment. When you go through this, you know, over the past year or so, we've seen a number of financial institutions -- excuse me, educational institutions come in that have had to go through, you know, the reality of what's been going on in the economy, and in that sphere of belt tightening, laying people off, and not a lot of hope for where, you know, new students are going to be coming in and enrolling.

They seem to be bucking the trend?

FRAMPTON: That clearly appears to be true. And one other comment, if you look at forecast employment going forward, this is really a replacement project for Bradley that will upgrade facilities.

And, you know, they have told us that they really don't plan to add any new faculty or staff at

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the moment. That will all be driven by student demand and enrollment.

VICE-CHAIR McCOY: Okay.

FRAMPTON: So those are the key factors?

VICE-CHAIR McCOY: No, it seems to be well managed.

FRAMPTON: Yes. And they have had the same CFO now for, I think, 25, 30 years. So they've had a lot of stability in their management team, particularly in finance.

VICE-CHAIR McCOY: Any questions on the phone, guys?

CHAIRMAN HORNE: Add on that, you know, the contribution of $50,000,000 of equity is very significant compared to a lot of other proposals, too.

VICE-CHAIR McCOY: Yeah, agreed.

FRAMPTON: But this project has been a long time -- has been in development for quite some time. And, you know, I think the -- that's evidenced by the plan that the -- the development plan that the University put together that I circulated in the room earlier.

So, you know, we're excited about this

project. It's nice to have something this significant in central Illinois and the Peoria area.

VICE-CHAIR McCOY: Great. If there are no other questions, should we move on to the Y?

FLETCHER: Next is tab 3 in the Board books, which is tab 2 on this morning's agenda.

The YMCA of Rock River Valley in Rockford is requesting a Final Bond Resolution in a not-to-exceed amount of $9.5 million.

The YMCA of Rock River Valley is an Illinois nonprofit that also serves Loves Park and has served the Winnebago County area for over 130 years. Its flagship I.D. Pennock Family Facility has been open since 1959, specifically.

Cumulatively, its current six service locations, including the recently-opened Puri Family YMCA make this YMCA is the third largest YMCA association in Illinois. To the transaction before you, the plan of finance seeks to refund their outstanding 2013 bond they issued through to IFA previously, which is outstanding in an approximate amount $5.2 million.

And, also, refinance two interim construction loans. One, which was originated

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November 2016, for the build-out of the newest facility, the Puri Family YMCA. That building was donated by the Puri family. They subsequently made renovations to the facility.

And another originated in December 2016, for renovations made at the flagship I.D. Pennock Family YMCA, in connection with the relocation of Judson University's Rockford Campus. The University is based in Elgin, but they have a Rockford Campus. They are relocating to the YMCA.

Additionally, the issuance of the 2017 bond will finance approximately another $1.48 million of renovations going forward before Judson University opens this coming August.

You can refer to the top of page 3 of the report for further details on the bank that made the interim construction loans.

As proposed, the 2017 bond will be purchased by Illinois Bank & Trust, which is a subsidiary of Heartland Financial USA. The initial term for the bank purchase will be 10 years.

The bond will have a maturity of 21 years, which we currently anticipate will actually be 20 years and one month. They added one extra month to

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the amortization schedule just last night at 6:00 o'clock.

So the reports do need to be updated that are in front of you, but the resolution we'll be voting on at the full meeting, the not-to-exceed maturity is 21 years. So we were able to correct that in time.

Turning to page 10 in the confidential section, because the YMCA is a nonrated entity, we provided a three-year forecast that clearly demonstrates YMCA will generate sufficient operating cash flows to cover the proposed debt service, especially considering they just opened a new facility, the Puri Family YMCA.

In summary, the refunding of the 2013 bond is not being undertaken necessarily to achieve interest rate savings, but they are kicking out the weighted-average maturity and reducing principal and interest payments going forward on the refunded debt.

And, additionally, with respect to the financing of renovations, to accommodate the relocation of Judson University, the University and YMCA entered into a 10-year lease, with two 5-year

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options to extend, which lines up with the 20-year maturity of the bond. For details on those lease payments, you can turn to the second page of the confidential section.

Item No. 3 in the forecast results, I delineated those lease payments for the next three years going forward. Are there any questions?

VICE-CHAIR McCOY: Thank you. Now we're moving to the Resolutions.

FLETCHER: We're going to skip Laborers'. So next is --

VICE-CHAIR McCOY: Oh, correct. Sorry.

FLETCHER: Next is item 5 in the Board book, which is item 4 in this agenda. That's a resolution for Navistar. Chicagoland -- sorry, wrong one. Navistar.

VICE-CHAIR McCOY: Yes.

FLETCHER: So tab 5, No. 4 in the agenda, is a Final Bond Resolution on behalf of Navistar. In 2010, Navistar issued tax-exempt bonds to the Authority under a specialty provision of the 2008 American Recovery and Reinvestment Act, which some of our experienced Board Members probably remember.

New issues of the special purpose Recovery

Zone Facility bonds expired on December 31st, 2010. So approximately nine borrowers took advantage of the special provision, which the Authority had an allocation it derived from local governments across the state, before this special provision expired under Federal Tax Law. Navistar is one such borrower and has approximately $135,000,000 outstanding from its 2010 issue.

Since issuing the 2010 bond for the relocation of its corporate headquarters to Lisle, and the renovation of its Joliet warehouse. Navistar has faced some operational difficulties that have been documented in the media. No need to go into them at this point here.

But in light of these difficulties, Navistar has been working with its largest majority bondholders to provide some financial flexibility in the 2010 bond documents, with respect to some financial covenants, which I outlined in the impact paragraph in the memo before you.

The majority of bondholders are willing to provide this flexibility, as it seeks to maneuver through its challenges, in exchange for an interest rate increase of 25 basis points, not a decrease,

but interest rate will actually go up 25 basis points.

So that's a consideration here. The majority of bondholders want to give Navistar some flexibility. In exchange, they're going to get a little bit of premium on the interest rate.

So this has been agreed to between the majority bondholders. We're simply being asked for our consent. We are charging a nominal $500 fee just for our work and time in this transaction, but I can take any questions on the matter.

CHAIRMAN HORNE: Brad?

FLETCHER: Yes, sir.

CHAIRMAN HORNE: This is Bob. So I don't know all the details on the Navistar, but when it was done originally, wasn't it done when they moved?

So they moved their facility, but have they subsequently vacated some of that, and are there any covenants on employment of that?

FLETCHER: So they are still in Lisle, and that's what the 2010 bond issue was. It was a two-purpose project. One was the relocation of the corporate headquarters to Lisle.

There was also a tangential project, which

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was renovations to the warehouse in Joliet. I'm guessing they may have had some layoffs recently. So there's probably some vacancy at the Lisle campus; but to the best of my knowledge, they are still in Lisle.

CHAIRMAN HORNE: Okay. So I recall, or when these kind of things are done, that they have, you know, they have some kind of employment strings. Like, I believe, Sears is an example, having to do something in Hoffman Estates regard -- you know regarding employment cap now.

So that's not applying to this one right now?

FLETCHER: That's correct. That's the case for any project financed through IFA.

CHAIRMAN HORNE: Okay.

FRAMPTON: And tax-exempt bonds generally any clawback would make the bonds not sellable.

CHAIRMAN HORNE: Okay.

VICE-CHAIR McCOY: Any other questions? Item 5.

EVANS: This is a resolution regarding the beginning farmer bond of Patrick S. Gibson that was approved last month. The need of this resolution is

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to reduce the annual scheduled payment, due to the bank receiving an appraisal that was lower than anticipated.

The difference in the amount was $9,726 that the borrower injected cash into, reducing their request on bond from $134,363 to $129,500.

In terms if you keep the current amortization and interest the same, the payment should be reduced from $4,478 to $4,316. It's a simple request.

VICE-CHAIR McCOY: Agreed. I would like to request a motion to pass and adopt the following Project Reports and Resolutions: Items 1, 2, 4 and 5. Is there such a motion, please?

JURACEK: I'll move.

GOETZ: Second.

VICE-CHAIR McCOY: Okay. Will the Assistant Secretary please call the roll?

FLETCHER: Certainly. Mr. Goetz?

GOETZ: Yes.

FLETCHER: Ms. Juracek?
JURACEK: Yes.
FLETCHER: Vice-Chair McCoy?
VICE-CHAIR McCOY: Yes.

FLETCHER: Mr. Obernagel on the line?
OBERNAGEL: Yes.
FLETCHER: Mr. Zeller?
ZELLER: Yes.
FLETCHER: Chairman Horne on the line?
CHAIRMAN HORNE: Yes.
FLETCHER: Mr. Committee Chair, the motion carries.
VICE-CHAIR McCOY: Okay. Mike, I guess you can go for a walk and stretch your legs.
FLETCHER: So we'll note for the record Member Goetz has exited the room.
VICE-CHAIR McCOY: Following on, then I would like to request a motion to pass -- I guess we have to hear it first. It works better that way.
FLETCHER: Okay. So the final item on the agenda, it's tab 4 in your Board books. Item No. 3 on today's agenda is a Final Bond Resolution on behalf of Chicagoland Laborers' District Council Training and Apprentice Fund, in a not-to-exceed amount of $12,950,000.
It is a jointly administered nonprofit Taft Hartley Trust Fund Entity. The District Council issued its bonds through IFA in 2008 as

variable rate bonds secured by a letter of credit with Fifth Third Bank.

The $22.5 million transaction financed construction of a 70,000 square-foot training center on Chicago's far west side. That letter of credit is scheduled to expire this upcoming September 2017.

As this Committee has seen, time and time again, letter of credits are becoming increasingly expensive. Borrowers are seeking to exit the letter of credit structure and entering into bank direct purchase structures, with their outstanding debt.

That's also the case here. Accordingly, the District Council and Wintrust Bank agreed to refund the outstanding debt and enter into that bank direct purchase structure.

The refunded principal amount will be approximately $12,950,000, as previously stated. Wintrust will purchase the 2017 A bond for $6,475,000 at a variable rate and a Series 2017 B bond for the same amount. Wintrust has agreed to purchase both bonds for an initial term of 20 years.

The Authority is, as always, is offering its standard discounted fee for the bonds, exiting a letter of credit secured structure, which we

currently estimate to be just under $16,000.

Are there any questions?

VICE-CHAIR McCOY: I think that's good. Thank you. I would like to request a motion, then, to pass and adopt the following Project Report and Resolution: Item 3. Is there such a motion?

JURACEK: I'll move.

OBERNAGEL: Second, Obernagel.

VICE-CHAIR McCOY: Thank you. Will the Assistant Secretary please call the roll?

FLETCHER: On the motion and second, I'll call the roll. Ms. Juracek?

JURACEK: Yes.

FLETCHER: Mr. Chairman McCoy?

VICE-CHAIR McCOY: Yes.

FLETCHER: Mr. Obernagel on the line?

OBERNAGEL: Yes.

FLETCHER: Mr. Zeller?

ZELLER: Yes.

FLETCHER: And chairman Horne on the line?

CHAIRMAN HORNE: Yes.

FLETCHER: Mr. Committee Chair, the motion carries.

VICE-CHAIR McCOY: Thank you very much. Should

we get Mike back in?

ZELLER: You can't believe the things they say, Mike.

GOETZ: Can't believe what? What did he say?

VICE-CHAIR McCOY: Is there any other business to come before the Committee?

FRAMPTON: Mr. Chair, I have a new business item. IFA has been advised of a manufacturer that is seeking to locate a new manufacturing and processing facility in Illinois that is -- and we understand that the project may have a significant component that may qualify for a tax-exempt solid waste disposal revenue bond financing under the Internal Revenue Code.

Based on prior experience, given the overall size of the development budget, we think prospectively $250,000,000 to $300,000,000 of project costs could prospectively qualify for solid waste disposal revenue bond financing.

And, again, just to refresh your memory, since we don't see these as frequently as we used to, and as much as we would really like to, in order to issue tax-exempt bonds for qualified projects owned by private companies, an allocation of volume

cap is required, in order to issue the bonds on a tax-exempt basis. That's a federal requirement.

In order to provide sufficient solid waste volume cap for this project, we requested additional information from the principals, in order to specify both the sizing and timing requirements.

We will be returning to the Tax-Exempt Committee and the IFA Board in a future month to consider a resolution or resolutions in support of a formal request to the Governor's Office of Management and Budget for additional 2017 volume cap, to the extent necessary; or additional carry-forward allocation in January 2018, to the extent necessary, to finance the subject solid waste prospect and other exempt facilities revenue bond projects.

VICE-CHAIR McCOY: So is this -- I mean, you're pacing yourself just to see if you have a real deal?

FRAMPTON: That's exactly right.

VICE-CHAIR McCOY: Okay.

FRAMPTON: And we actually have $261,000,000 of solid waste allocation now. All but $60,000,000 of that peels off at the end of the calendar year.

So by putting this into the record, at

both in this Committee meeting and the Board meeting, we'll be setting ourselves up with the Governor's Office to have documentation to support a forthcoming -- an evidence of forthcoming request.

VICE-CHAIR McCOY: Okay. Thanks, Rich. Any other questions? Thank you. Okay.

Is there any public comment for this Committee? Hearing none, I would like to request a motion to adjourn. Is there such a motion?

GOETZ: So moved.

VICE-CHAIR McCOY: Second?

JURACEK: Second.

VICE-CHAIR McCOY: All those in favor?

(A chorus of ayes.)

VICE-CHAIR McCOY: Opposed?

(No response.)

VICE-CHAIR McCOY: And the ayes have it. Thank you very much.

FLETCHER: The time is 9:02 a.m.

(WHICH WERE ALL THE PROCEEDINGS HAD at 9:02 a.m.)

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STATE OF ILLINOIS)
)SS:
COUNTY OF C O O K)

PAMELA A. MARZULLO, C.S.R., being first duly sworn, says that she is a court reporter doing business in the city of Chicago; that she reported in shorthand the proceedings had at the Proceedings of said cause; that the foregoing is a true and correct transcript of her shorthand notes, so taken as aforesaid, and contains all the proceedings of said hearing.

____
PAMELA A. MARZULLO
License No. 084-001624

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