

1 ILLINOIS FINANCE AUTHORITY
2 SPECIAL MEETING OF THE TAX-EXEMPT CONDUIT
3 TRANSACTIONS COMMITTEE
4 September 14th, 2017, at 8:33 a.m.
5
6
7

8 Report of Proceedings had at the Special Meeting of the
9 Tax-Exempt Conduit Transactions Committee of the Illinois
10 Finance Authority on September 14th, 2017, at the hour of
11 8:30 a.m., pursuant to notice, at 160 North LaSalle Street,
12 Suite S1000, Chicago, Illinois.
13
14
15
16
17
18
19
20
21
22
23
24

MARZULLO REPORTING AGENCY (312) 321-9365

♀

1 APPEARANCE:
2 COMMITTEE MEMBERS

3 MR. ROBERT HORNE, Chair
4 MR. JAMES J. FUENTES
5 MR. MICHAEL W. GOETZ
6 MR. LYLE McCOY
7 MS. ARLENE JURACEK
8 MR. GEORGE OBERNAGEL
9 MR. ERIC ANDERBERG, Ex-Offi ci o/non-voti ng

10 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

11 MR. BRAD FLETCHER, Assi stant Vi ce-Presi dent
12 MR. RI CH FRAMPTON, Vi ce-Presi dent
13 MS. PAMELA LENANE, Vi ce-Presi dent
14 MS. ELI ZABETH WEBER, General Counsel
15 MR. CHRIS TOPHER B. MEI STER, Execu ti ve Di rector
16 MR. PATRICK EVANS, Agri cul tural Banker (Vi a audi o
17 conference)

18
19
20
21
22
23
24

MARZULLO REPORTING AGENCY (312) 321-9365

♀

3

1 CHAIRMAN HORNE: So I would like to call the
2 meeting to order. Will the Assistant Secretary
3 please call the roll?

4 FLETCHER: Certainly. The time is 8:33.
5 Mr. Fuentes?

6 FUENTES: Here.

7 FLETCHER: Mr. Goetz?

8 GOETZ: Here.
9 FLETCHER: Ms. Juracek?
10 JURACEK: Here.
11 FLETCHER: Vice-Chairman McCoy?
12 McCOY: Here.
13 FLETCHER: And Chairman Horne?
14 CHAIRMAN HORNE: Here.
15 FLETCHER: And Chairman Anderberg, as
16 ex-officio non-voting?
17 ANDERBERG: Here.
18 FLETCHER: Mr. Committee Chair, a quorum of
19 Committee Members has been constituted.
20 CHAIRMAN HORNE: Great. Thank you. Does
21 anyone wish to make any additions, edits or
22 corrections to the minutes from the August 17th,
23 2017, meeting?
24 (No response.)
MARZULLO REPORTING AGENCY (312) 321-9365

♀

4

1 CHAIRMAN HORNE: Hearing none, I would like to
2 request a motion to approve the minutes.
3 GOETZ: So moved.
4 McCOY: Second.
5 CHAIRMAN HORNE: All those in favor?
6 (A chorus of ayes.)
7 CHAIRMAN HORNE: Opposed?
8 (No response.)
9 CHAIRMAN HORNE: The ayes have it. Thank you.
10 So, I would like to ask for the general consent of
11 the Members to consider Project Reports, and then

12 we'll have a subsequent vote on those reports.

13 We're going to -- I understand we're going
14 to pull item No. 5 from that, and so we'll do two
15 separate votes with regard to the Project Reports.

16 FLETCHER: Yes. Mr. Goetz, would you like to
17 state for the record the reason for abstention?

18 GOETZ: I have a son that works for their
19 financial advisor.

20 FLETCHER: Duly noted.

21 CHAIRMAN HORNE: Thank you. I think we're
22 going to start -- do I need a vote to do Project
23 Reports?

24 FLETCHER: No, we're good.

MARZULLO REPORTING AGENCY (312) 321-9365

‡

5

1 CHAIRMAN HORNE: Okay.

2 FLETCHER: We can roll right in now with
3 Patrick.

4 CHAIRMAN HORNE: Patrick, do you want to lead
5 off?

6 EVANS: Sure. Good morning. There is one
7 beginning farmer bond. This bond will have a first
8 mortgage position relating to it.

9 The borrowers are Matthew L. and Janet L.
10 Roark, who is purchasing 95.5 acres of bare real
11 estate. The total cost of this purchase is
12 \$620,000, or \$6487 per acre. People's State Bank of
13 Newton will finance 51.61 percent of the purchase
14 price or \$320,000.

15 The bank would utilize FSA beginning
16 farmer loan program, which has a maximum loan amount

17 of \$300,000. As stated, IFA bonds will be in first
18 mortgage position on the property being purchased.
19 FSA will have a second position relating to their
20 48.39 guarantee.

21 The property is located on the southeast
22 corner of Lawrence County. The terms of the bonds
23 are identified in the write-up.

24 If there's no questions, I hand it back to
MARZULLO REPORTING AGENCY (312) 321-9365

†

6

1 you, Chairman.

2 CHAIRMAN HORNE: Okay. Thank you. No
3 questions?

4 JURACEK: No.

5 CHAIRMAN HORNE: Okay. We've got Rich is going
6 to talk about Cantigny.

7 FRAMPTON: Yes. Item 2 is for Cantigny
8 Foundation. This is being presented one time as a
9 Final Bond Resolution. As far as timing on this,
10 Cantigny and the working group are looking to close
11 on this in November.

12 The bonds will be purchased directly by
13 MB Financial Bank. The one change to the resolution
14 that's in the book to note, for the record, is that
15 the not-to-exceed parameter on the bonds will be 40
16 years. The initial term that is being provided by
17 MB is 15. And these bonds are being structured as
18 interest only for the entire 15-year term.

19 In terms of the projects, there are three
20 underlying projects that will be financed at

21 Cantigny Park in Wheaton. They include renovations
22 to the First Division Museum, which actually has
23 been completed and recently reopened the last
24 Saturday in August.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

7

1 In your clip book today, there's an
2 article that was in the Tribune that week regarding
3 the reopening. The scope of the museum has been
4 expanded to include military history after 1970.
5 So, they've brought the history of the First
6 Division up to date.

7 So, there are two museums, the First
8 Division Museum and also the Robert R. McCormick
9 House. And the third element of the project are
10 general improvements to Cantigny Park, which
11 involved a variety of renovation projects to the
12 pavilions, the installation of new landscaping
13 throughout the park, renovations to playgrounds,
14 ponds, pretty much everything else on the grounds.

15 In terms of the financial structure, MB,
16 in addition to Cantigny Foundation being the direct
17 obligor on the bonds, there will be a guarantee, a
18 corporate guarantee, from the Robert R. McCormick
19 Foundation.

20 If you look at the financials on pages 8
21 and 12, the financials for Cantigny Foundation are
22 presented on page 8. You will note on the balance
23 sheet, there are basically three items on the asset
24 side of Cantigny's balance sheet.

MARZULLO REPORTING AGENCY (312) 321-9365
Page 6

1 Short-term liquid assets, those are the
2 current assets, depreciable fixed assets, which are
3 net PP&E, and then other investments. So just
4 looking at that, you can see that Cantigny has very
5 significant capitalization.

6 Turning to page 12, similarly for Cantigny
7 Foundation, the real strength -- the real credit
8 strength of these foundations is their asset base.
9 Again, the three -- the same three basic line items
10 combined between the two entities, there is or there
11 was, as of June 30th, 2016, over a billion five in
12 liquidity.

13 Those amounts will actually be posted when
14 they file their 2016 990. It's not that much
15 different from what they posted in 2015. So those
16 are the credit strengths.

17 Because both foundations share the same
18 board members, and Cantigny receives substantial
19 support from the McCormick Foundation, if you look
20 at the first bullet on page 10, Cantigny's revenue
21 composition is described.

22 And grants from the McCormick Foundation
23 in 2016 provided approximately 39 percent of
24 support, with the remainder coming from dividends

MARZULLO REPORTING AGENCY (312) 321-9365

1 and interest, investment gains, and then the
2 Cantigny Park operations.

3 Just one other thing to note on page 11,
4 because of the golf course operations, restaurants
5 and retail facilities, Cantigny does pay property
6 taxes on those properties; and so far this year,
7 they paid their scheduled bill of \$390,000, and that
8 reflects their 2016 property tax bill obligations.

9 So, just in terms of this transaction,
10 overall, direct bank purchase deal, very little risk
11 or exposure, very high profile cultural institution,
12 not just for DuPage County, but the entire Chicago
13 area.

14 So, with that, I'll turn things back over
15 to the Chair.

16 CHAIRMAN HORNE: Thank you. Any questions on
17 that?

18 Let's move to No. 3, Brad, Chicago Charter
19 School Foundation.

20 FLETCHER: Certainly. The next is tab 3 in
21 your Board books, tab 3 on this Committee's agenda.
22 This is a Final Bond Resolution on behalf of Chicago
23 Charter School Foundation, which does business as
24 Chicago International Charter Schools.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

10

1 The resolution is authorizing a
2 not-to-exceed amount of \$62,000,000. We anticipate
3 that will be refined more likely down to
4 \$55,000,000. Chicago Charter School Foundation is a
5 public charter school in Chicago that has 14
6 campuses in its network that provides education to
7 over 8600 students in grades kindergarten through

8 12.

9 They were founded in 1997. And, most
10 recently, its charter was renewed for seven years
11 this past August. They are, in fact, the first
12 charter school network in Chicago to be renewed for
13 more than a five-year period, which speaks to their
14 importance in the system.

15 The borrower uses four different education
16 management organizations, EMO, sometimes are called
17 EMO School Management Organizations, to run the
18 day-to-day operations of its charter school network.

19 The Education Management Organization
20 specializes in school management and structural
21 delivery and managed, as I said, the day-to-day
22 operations of their campuses. They operate under
23 yearly performance contracts.

24 If you turn to page 5 of the report, the
MARZULLO REPORTING AGENCY (312) 321-9365

♀

11

1 table near the bottom lists the educational
2 management organizations for this school year that
3 just began. With the exception of Charter Schools
4 U. S. A., the education management organizations are
5 not-for-profit entities, and that is to say Charter
6 Schools U. S. A. is a for-profit entity.

7 So, the transaction before you, the plan
8 of finance seeks the refund the borrower's 2007
9 bonds on the outstanding amount of \$42,000,000,
10 which were issued previously by IFA.

11 They are also seeking to finance

12 approximately \$9,000,000 of various capital
13 expenditures. In this case, improvements at their
14 various campuses, including windows, roofs, things
15 of that nature.

16 The majority of the improvements will be
17 made at the Northtown Academy Campus, the Longwood
18 Campus and the Basil Campus. Estimated project
19 costs are listed on bottom of page 2 of the report.

20 Fixed rate, tax exempt and potentially
21 taxable bonds will be sold based on the direct
22 underlying rating of the borrower. They are
23 currently rated BBB by S&P, and they have applied
24 for a rating update in connection with this

MARZULLO REPORTING AGENCY (312) 321-9365

†

12

1 transaction.

2 Piper Jaffray will be the underwriter on
3 the transaction, and investors will be secured by
4 network revenues across all campuses, as well as
5 mortgages on the Basil Campus, the Longwood Campus,
6 the Loomis Campus, Northtown Campus and Ralph Ellison
7 Campus.

8 Turning to page 12 in the confidential
9 section of the report, you will note we did not
10 provide our customary forecast when the borrowers
11 are a non-rated entity. They are rated BBB.

12 However, we did generate a proforma debt
13 service coverage ratio for the proposed 2017 bonds
14 and 2018, which will be the first year of principal
15 and interest payments.

16 Using 2016 earnings before interest,

17 depreciation and amortization, we forecast debt
18 service coverage in 2018 to be 1.88 times. I also
19 note as of June 30, 2016, they have approximately 95
20 days cash on hand, which is good enough for three
21 months of operating expenses.

22 So, this is a good network. They are run
23 very well. They further support their liquidity
24 with two lines of credit with First American Bank.

MARZULLO REPORTING AGENCY (312) 321-9365

†

13

1 As of September 1st, they have had no draws against
2 it.

3 So, the CFO, Kathleen Clarke, is expected
4 to be at our Board meeting. I expect to just
5 introduce her. I don't think she will have any
6 comments to the Board. Nevertheless, she will be in
7 here, so I'll try to acknowledge her.

8 Are there any questions with respect to
9 this transaction?

10 CHAIRMAN HORNE: I have just one comment.

11 FLETCHER: Yes.

12 CHAIRMAN HORNE: I serve on a charter school
13 board in the city.

14 FLETCHER: Okay.

15 CHAIRMAN HORNE: And with this whole new State
16 of Illinois educational deal that just got
17 completed --

18 FLETCHER: Right.

19 CHAIRMAN HORNE: -- at least our analysis had
20 an increase in a percent-student contribution.

21 FLETCHER: Per capita, right.

22 CHAIRMAN HORNE: Which is probably not
23 reflected in these numbers, I'm guessing.

24 FLETCHER: Right. What I laid out here in this
MARZULLO REPORTING AGENCY (312) 321-9365

♀

14

1 summary is their last three years, because they are
2 rated.

3 CHAIRMAN HORNE: I was going to say -- right.
4 I think there is some good news out there.

5 FLETCHER: Right.

6 CHAIRMAN HORNE: In terms of the revenue side
7 of this that should bode well.

8 FLETCHER: Agreed. I actually printed a
9 newspaper article most recently from the Tribune. If
10 you want to take a look at that.

11 They are still, as you mentioned, breaking
12 that down to see what exactly they will get. What I
13 was told by Kathleen Clarke and their CFO is that
14 they expect the per capita to return to at least
15 2015 numbers, which would be a boost because of the
16 cuts over the last couple years.

17 CHAIRMAN HORNE: Right. And that's -- yeah.

18 FLETCHER: The bottom line is the school
19 funding formula at the charter schools in this
20 context is a positive.

21 CHAIRMAN HORNE: Yeah. That's what we want to
22 get.

23 McCOY: Is there any risk around non-renewal in
24 '24?

1 FLETCHER: They had one campus close last year.
2 The best answer I could give to that is all charter
3 schools are renewed for five years, as Bob probably
4 knows.

5 They were the first one to be renewed for
6 seven years. So, as I said, I think it speaks to
7 their credibility as a charter school network within
8 the system.

9 That risk is laid out in the official
10 statement, as it is with any charter school. That's
11 just investor risk when they invest in charter
12 schools.

13 McCOY: Right.

14 FLETCHER: So that's laid out.

15 MEISTER: And, Lyle, we've done a number of
16 charter school in the past.

17 FLETCHER: And all of the charter schools
18 have that renewal risk.

19 CHAIRMAN HORNE: There's always going to be
20 that risk.

21 McCOY: Yes.

22 CHAIRMAN HORNE: It depends on who's lobbying
23 that year.

24 FLETCHER: And they got seven years this time.

MARZULLO REPORTING AGENCY (312) 321-9365

1 McCOY: They got seven?

2 CHAIRMAN HORNE: And that's a positive.

3 Anything else? Any other questions, comments?

4 MEISTER: Okay. Excuse me, Bob. Rich, are
5 there going to be guests for Cantigny, too?

6 FRAMPTON: Yes. I'll be introducing Lou
7 Marsico, who is the senior VP and manager of
8 operations and their CFO, just to introduce them.
9 We actually go back a ways.

10 CHAIRMAN HORNE: That's great. Okay. So item
11 No. 4 is Blessing Hospital. Pam?

12 LENANE: Yes. Blessing Hospital came for a
13 preliminary resolution in August, which was approved
14 unanimously by the Board.

15 They are now seeking a final resolution in
16 the amount of \$20,000,000 to refund their Series
17 2007 bonds issued by the City of Quincy and to
18 reimburse themselves for funds spent for certain
19 healthcare facilities, including but not limited to
20 food service facilities.

21 The only material change from the report
22 is that -- last month's report, is that we now know
23 they are going to spend it on the food services and
24 other things. Also, there will be 35 construction

MARZULLO REPORTING AGENCY (312) 321-9365

♀

17

1 jobs. So that's nice for Quincy.

2 The plan of finance contemplates a direct
3 bank purchase by Commerce Bank. Blessing Hospital
4 is currently rated A stable by S&P and A2 stable by
5 Moody's. Estimated closing date is in November.

6 If you turn to the financials on page 6,
7 you'll see for a small hospital, they are doing

8 exceptionally well, with 5.32 debt service coverage
9 and 207 days cash on hand, and the net present value
10 from this refunding is \$1.9 million.

11 CHAIRMAN HORNE: Good. Let's skip No. 5. Is
12 there any questions on Blessing Hospital? Let's
13 skip No. 5 and move to Tabor Hills, No. 6, please.

14 LENANE: Okay. Tabor Hills is -- Tabor Hills
15 Supportive Living Community is a continuing care
16 retirement community located in Naperville,
17 Illinois. They are seeking a one-time Final Bond
18 Resolution in the amount of \$16,000,000.

19 The bond proceeds will be used to refund
20 their Series 2006 IFA bonds and pay cost of
21 issuance. Tabor Hills was originally known as the
22 Bohemian Home for the aged, and it was located at
23 Foster and Pulaski.

24 I sort of remember that name faintly from
MARZULLO REPORTING AGENCY (312) 321-9365

♀

18

1 the old days. But, anyway, they sold that facility
2 in '94, and they developed a new senior living
3 facility in Naperville with a 211 bed nursing camp,
4 skilled nursing and independent living patio homes.

5 So, also, the bonds will be a direct bank
6 purchase by Fifth Third Bank and will carry a fixed
7 rate interest of 3 percent.

8 If you look at the financials for Tabor
9 Hills on page 7, their nine-month unauditeds for
10 2017 show very good debt service coverage for a
11 senior living community of 2.47 times debt service

12 coverage and 371 days cash on hand, and the
13 estimated net present value savings from this
14 refunding will be \$6.9 million.

15 CHAIRMAN HORNE: That's great.

16 LENANE: Any questions? I'm sorry, I should
17 say, "Any questions"?

18 CHAIRMAN HORNE: Are there any questions?

19 LENANE: Or you say it.

20 CHAIRMAN HORNE: All right. How about item
21 No. 7, Iowa Health?

22 LENANE: Iowa Health System, doing business as
23 UnityPoint Health, is gobbling up the hospitals in
24 Peoria. They acquired -- if you'll remember, they

MARZULLO REPORTING AGENCY (312) 321-9365

‡

19

1 acquired Methodist, then they acquired Proctor and
2 now -- well, this isn't Peoria.

3 Now they are acquiring Pekin Hospital in
4 Pekin, Illinois. And this is a one-time Bond
5 Resolution to finance cost of the acquisition and
6 land and construction of a medical office building
7 at -- no, they already own them.

8 I'm sorry. This is new money for new
9 construction for a medical office building at 3591
10 Griffin Avenue in Pekin, Illinois, and to retire an
11 existing loan entered into to finance the cost of
12 financing a portion of the project.

13 There will be 200 construction jobs in
14 Pekin, Illinois, in connection with this project.
15 Pekin is 107 bed facility, which offers primary and
16 specialty care, along with home health services.

17 Uni tyPoint is currently rated A3, AA-,
18 long term by Moody's and Fitch. The interest rate
19 will be set at the time of pricing. The bonds will
20 be purchased by Pekin Community Bank, which is a
21 division of Morton Community Bank.

22 Financials -- if we go over to the
23 financials on page -- now, these are Uni tyPoint's
24 financials are strong, with 3.8 times debt service

MARZULLO REPORTING AGENCY (312) 321-9365

‡

20

1 coverage and 208 days cash on hand.

2 CHAIRMAN HORNE: Have we done other Iowa Health
3 deals?

4 LENANE: Yes, we have.

5 CHAIRMAN HORNE: Yeah, that's what I thought.

6 LENANE: We did it when they acquired
7 Methodist. We did it when they acquired Proctor.
8 This I thought it was very clever. They were trying
9 to get us to do a host TEFRA.

10 And I said, "For a few more dollars, we'll
11 issue the bonds." And the Bond Counsel said, "Oh
12 okay. Good. Good deal." I hate to see our
13 borrowers go. You know, it's so sad when you get
14 acquired from surrounding states, but this is an
15 infusion of money for Pekin.

16 CHAIRMAN HORNE: Yeah.

17 LENANE: And, so, it's good. It's a good
18 thing.

19 MEISTER: And actually, Bob, to that point, Pam
20 just sort of laid out an example of host TEFRA

21 amendment to the evolution of bank direct purchase,
22 but if Rich could just speak quickly on the smaller
23 end of the spectrum.

24 There's bank qualified, which I think we
MARZULLO REPORTING AGENCY (312) 321-9365

♀

21

1 talked about, before, which IFA has limited
2 authority on; but I think, Rich, if you could just
3 highlight that for the Board Members.

4 FRAMPTON: Yes.

5 MEISTER: Because it's a species of the same
6 impending problem.

7 FRAMPTON: Yeah. On the smaller transactions,
8 we face more competition in the marketplace because,
9 among other things, the local issuers can offer
10 something particularly for the \$10,000,000 and under
11 non-profit deals that we can't and that's bank
12 qualification.

13 And, particularly, on the bank purchase
14 deals, that provides a financial benefit to the bank
15 that enables the end rate to the borrower to be
16 reduced by as much as three quarters of a percent to
17 one percent.

18 So, in evaluating, you know, when
19 borrowers are looking at undertaking a deal, even in
20 a case like this, assuming Pekin has no more debt to
21 issue, Pekin, itself, as a Home Rule unit can issue
22 up to \$10,000,000 in bonds on a bank-qualified basis
23 and run the rest through IFA.

24 So, they wouldn't even be obligated to do
MARZULLO REPORTING AGENCY (312) 321-9365

1 that, but we face competition essentially from every
2 Home Rule unit. They are able to issue within,
3 depending on the bond counsel you talk to, within
4 seven-and-a-half miles of their boundaries.

5 So, particularly in the Chicago metro
6 area, each borrower has a multitude of prospective
7 issuers that they could deal with.

8 Additionally, downstate, with the regional
9 authorities, the renal authorities also have the
10 ability to do one thing we can't do, and that's to
11 convey state tax exemption on the bonds which
12 sometimes makes a difference, not always.

13 MEISTER: Although, Rich, if you could
14 highlight. Because we do it for local governments,
15 we have an additional power, which of the last time
16 the income tax rates increased and so on, we saw an
17 upsurge in activity, which is not that bad. If you
18 could just highlight that.

19 FRAMPTON: In 2013-2014, when the personal
20 income tax rate was at 5 percent, we saw an uptick
21 in local government issuances, and that is the one
22 category under our statute where we are also able to
23 convey state tax-exempt status on the bonds, and
24 that's something this the local municipalities and

MARZULLO REPORTING AGENCY (312) 321-9365

1 school districts cannot do on their own.

2 CHAIRMAN HORNE: We'll see another bump right

3 now.

4 FRAMPTON: There is a potential opportunity for
5 us to see an uptick. They haven't seen it yet
6 but --

7 VICE-CHAIRMAN McCOY: So, there's good news in
8 a tax increase; is that what you're saying?

9 FRAMPTON: It all depends.

10 MEISTER: And, again, just because it's rare
11 that we have -- that we can give a series of
12 real-world examples. I would like to introduce Eric
13 Rockhold with Bank of America Merrill Lynch, who is
14 our lead book runner.

15 He will talk in detail later at the Board
16 meeting about the State Revolving Fund Clean Water
17 Initiative, and then Noreen White is the Authority's
18 financial advisor.

19 But the next step of this is Illinois has
20 a tax structure which is, I think, close to unique
21 in the country as to the advantage or the
22 disadvantage that it imposes on state taxpayers that
23 are interested in taxing or buying federally
24 tax-exempt municipal bonds.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

24

1 And, Maureen, maybe you can quickly speak
2 to that.

3 WHITE: Yes, sure.

4 MEISTER: Because there is a penalty in it for
5 highly-rated credits.

6 WHITE: As you are aware, the value of tax
7 exemption for personal investors, retail investors,

8 people like us, really depends on what your level of
9 taxation is, both at the federal level and at the
10 state level.

11 So, for example, if you were a New York
12 City resident, and New York City is selling bonds,
13 you would benefit not only from an exemption from
14 income taxes from the Federal Government, but you
15 would also get what's called a triple-tax exemption,
16 because you wouldn't have to pay taxes to New York
17 State or New York City.

18 Illinois, in contrast, does not offer a
19 tax exemption to in-state residents to purchase
20 Illinois bonds. And, so, therefore, if you are an
21 Illinois investor who wants to purchase tax-exempt
22 bonds, the value of buying an Illinois bond versus
23 you buying a New York City bond, is exactly the same
24 for you because you get no in-state benefit.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

25

1 So, to the extent there was ever a time in
2 the future where the state might want to extend that
3 benefit to issuances that occur in the state, we
4 would anticipate that we would see a number of high
5 net-worth individuals who would want to purchase
6 Illinois bonds, and while no retail -- no retail
7 participation will ever result in a transaction
8 getting completely done, you can get enough
9 significant participation on the retail side to help
10 anchor a pricing and to potentially lower your
11 overall cost because you are increasing the level of

12 competi ti on.

13 And any time you i ncrease the level of
14 competi ti on, plus expand your buyer base, that
15 always is a good thing for helping to lowering your
16 cost.

17 CHAIRMAN HORNE: Thanks.

18 JURACEK: As the mayor of a Home Rule
19 municipa lity, let me assure everyone that the
20 abili ty for Home Rule municipa lities to issue these
21 kinds of bonds is not something that's casually
22 done, especi ally now where the State is skimming
23 every dollar they can from our cash flows, and even
24 penalizing those of us who put reserves aside for

MARZULLO REPORTING AGENCY (312) 321-9365

‡

26

1 speci fic projects like road building, water systems,
2 or whatever, we need to be very careful to reserve
3 that bondi ng authori ty.

4 We are also very aware of our ratings, and
5 obvi ously we want to keep are outstanding debt in a
6 low- to relatively-recent range. We're right now
7 just short of bei ng AAA, and we're working mightily
8 to get there.

9 So, at least for Mount Prospect, it's not
10 something that we would casually issue, and I know
11 that there are others in the same boat as we are.

12 CHAIRMAN HORNE: Yes. So maybe the competi ti on
13 is not as bad as you think.

14 JURACEK: You have to counterwei gh the
15 circumstanc es, I think.

16 FRAMPTON: Well, no, that's exactly right.

17 They're -- let's just say there are also some
18 opportunistic issuers in the market, and there are
19 just enough of them to be pesky.

20 CHAIRMAN HORNE: Right. Enough said. Okay.
21 Let's -- we're going to come back to 6, but let's --
22 we have two resolutions. Items No. 8, Navy Pier;
23 and No. 9, Sacred Heart. So, Brad, do you want to?

24 FLETCHER: So, next is tab 8 in your Board
MARZULLO REPORTING AGENCY (312) 321-9365

†

27

1 books, which is a Final Bond Resolution on behalf of
2 Navy Pier, Incorporated, in a not-to-exceed amount
3 of \$20,000,000.

4 Navy Pier, Inc., is a 501(c)(3) nonprofit
5 entity that manages Navy Pier on Chicago's Lakefront
6 right down the street here, pursuant to a long-term
7 lease with the Metropolitan Pier and Exposition
8 Authority on the pier, which is the owner of Navy
9 Pier.

10 The 2014 bonds issued by us financed on a
11 tax-exempt basis the manufacturing and installation
12 of a new ferris wheel, as well as construction of a
13 new theater that replaced the Pepsi -- former Pepsi
14 Skyline Stage, in addition to other renovations and
15 improvements at both Crystal Gardens and Polk
16 Brothers Park.

17 The total issuance in 2014 was
18 \$46.5 million. That was broken up in two series.
19 The Series 2014A bond in the amount of
20 \$26.5 million, and a 2014B bond in the amount of

21 \$20,000,000 were both directly purchased by Fifth
22 Third Bank, which continues to hold both series of
23 bonds.

24 The 2014A bond was issued in connection
MARZULLO REPORTING AGENCY (312) 321-9365

♀

28

1 with the ferris wheel as amortized over 20 years
2 with Fifth Third Bank holding the bonds for the
3 initial term of ten years or through January 1,
4 2024.

5 In contrast, what this resolution speaks
6 to, the 2014B bond was issued as a drawdown bond,
7 maturing on January 1st, 2032, or amortized over 15
8 years as principal repayment began this past January
9 in the amount of \$750,000 on January 1st, which,
10 therefore, results in an outstanding amount of
11 \$19,250,000 at this time.

12 So, this resolution seeks to authorize
13 Fifth Third Bank to smooth the debt service schedule
14 on that drawdown -- 2014B drawdown bond, as well as
15 extending the final maturity through 2036 for an
16 annual additional four years to the final maturity
17 date.

18 In exchange for Fifth Third Bank providing
19 Navy Pier, Incorporated, this flexibility, they are
20 increasing the interest rate borne on the 2014B bond
21 by 15 basis points.

22 So, we're simply being asked for our
23 consent to terms and conditions that Fifth Third
24 Bank and borrower agreed to at the time.

1 We did hold a TEFRA hearing last Friday as
2 required by federal tax law because, again, the
3 weighted average maturity is being extended. Our
4 estimated fee at this time \$28,500. This will be a
5 reissuance for tax purposes.

6 CHAIRMAN HORNE: Okay. Do you want to discuss
7 item No. 9?

8 FRAMPTON: Okay, tab 9 is a Resolution by the
9 Convent of the Sacred Heart of Chicago to approve a
10 resolution to authorize the execution and delivery
11 of a first amendment to the bond and loan agreement
12 in connection with their Series 2012 bonds.

13 The Series 2012 bonds enabled Sacred Heart
14 to refinance and convert out of a direct pay letter
15 of credit structure to a bank-direct purchase
16 structure by PNC Bank.

17 With this transaction, Sacred Heart is
18 electing to switch their banking relationship to a
19 new bank. So, they are going from PNC Bank to
20 Wintrust for an additional term of seven years.

21 The final maturity date on these bonds
22 will remain at 2042. In connection with this, with
23 these amendments, which will be a reissuance for tax
24 purposes, there will be a new tax agreement

MARZULLO REPORTING AGENCY (312) 321-9365

1 executed, as well as a new interest rate to be
2 established based on Wintrust's definitions of LIBOR

3 and their spreads.

4 But, again, there will be no change in the
5 final maturity date or in the amortization -- the
6 principal amortization of the bonds. Hence, no
7 TEFRA hearing will be required, and all payments
8 relating to the 2012 bonds, and the prior bonds that
9 were issued in 2008 and 2003 have been paid as
10 scheduled, and we recommend approval.

11 CHAIRMAN HORNE: Okay. Can I back up on the
12 Navy Pier?

13 FLETCHER: Yes.

14 CHAIRMAN HORNE: So was that just a request by
15 the Pier Authority to just to kind of bring the
16 payment schedule down and the bank's cooperation to
17 do that?

18 FLETCHER: I left it in my office. The current
19 amortization schedule, it was accelerated in the
20 first four to five years, and then it dropped down
21 through maturity.

22 CHAIRMAN HORNE: Okay, got it.

23 FLETCHER: What they are going to do is level
24 it off.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

31

1 CHAIRMAN HORNE: Just level it out?

2 FLETCHER: When they do that, it will align
3 more with the amortization of the 2014A bond. We're
4 not privy to the reasoning behind that.

5 CHAIRMAN HORNE: Yeah.

6 FLETCHER: But it does make sense.

7 CHAIRMAN HORNE: Right. It sounds very lumpy.

8 FLETCHER: From a financial analysis point to
9 have a level debt service. As far as extending
10 weighted-average maturity, the useful life test is
11 currently where they were currently going to mature
12 on the bonds.

13 VICE-CHAIRMAN McCOY: Right.

14 FLETCHER: So, I'm guessing, just as part as
15 their ongoing relationship with Fifth Third Bank, is
16 there anything they can do to make payments a little
17 be easier, level it off?

18 CHAIRMAN HORNE: That makes sense.

19 FLETCHER: Fifth Third, of course, agreed to
20 it, in exchange for a little bit higher interest
21 rate because the bonds are going out longer, the
22 bond issue.

23 CHAIRMAN HORNE: Okay, thank you.

24 FRAMPTON: The one other thing on Sacred Heart,
MARZULLO REPORTING AGENCY (312) 321-9365

♀

32

1 since 2012, they paid down the principal balance
2 from 20,000,000 to \$15,000,000.

3 MEISTER: Just a couple of points before Mike
4 steps out, the court reporter, Pam Marzullo, is this
5 going to be the last meeting?

6 THE COURT REPORTER: Next one.

7 MEISTER: Okay. So, she's on her second to
8 last Board meeting. She's going to be retiring, and
9 we would like to thank her for her service; and
10 we've also got a colleague of hers, Brad Benjamin,
11 who is observing for future Board Member -- or Board

12 meetings. So, he's right over there.

13 And then I think I introduced him, but I
14 may not have at the last meeting, Ryan Oechsler, who
15 is a recent University of Michigan Law graduate who
16 is working with the Authority, and working with
17 Elizabeth, as a full-time legal extern.

18 He is right here and we would like to
19 welcome him.

20 CHAIRMAN HORNE: We're going to miss you on the
21 court reporting.

22 So, I think if we could, we'll request a
23 motion to adopt the following Project Reports and
24 Resolutions. We have 1, 2, 3, 4, 5 --

MARZULLO REPORTING AGENCY (312) 321-9365

♀

33

1 LENANE: Not 5.

2 CHAIRMAN HORNE: Excuse me, 6, 7, 8 and 9.

3 GOETZ: So moved.

4 JURACEK: Second.

5 CHAIRMAN HORNE: Will the Assistant Secretary
6 please take the roll?

7 FLETCHER: Certainly. On the motion and
8 second, Mr. Fuentes?

9 FUENTES: Yes.

10 FLETCHER: Mr. Goetz?

11 GOETZ: Yes.

12 FLETCHER: Ms. Juracek?

13 JURACEK: Yes.

14 FLETCHER: Vice-Chair McCoy?

15 McCOY: Yes.

16 FLETCHER: And Chair Horne?

17 CHAIRMAN HORNE: Yes.

18 FLETCHER: Committee Chair, the motion carried.

19 CHAIRMAN HORNE: Great. Thank you. So, I
20 think we'll have Mike step out. We'll hear about
21 Advocate.

22 FLETCHER: Let the record reflect Member Goetz
23 has exited the room.

24 CHAIRMAN HORNE: Okay, Pam.

MARZULLO REPORTING AGENCY (312) 321-9365

†

34

1 LENANE: Advocate Healthcare Network is seeking
2 a one-time Final Bond Resolution in the amount of
3 \$100,000,000 for the conversion of their Series
4 2011C and D bonds.

5 The bonds were originally issued in an
6 initial index interest rate period with PNC Bank
7 will now be reissued in a new index interest rate
8 period and will be held by U.S. Bank.

9 Advocate employs 31,300 full-time
10 equivalents and has locations at Cook County, DuPage
11 Kane, Lake, McClean and Woodford County.

12 Advocate -- Jim Scott spoke out, Advocate
13 is a faith-based organization, healthcare
14 organization, affiliated with the United Church of
15 Christ and the Evangelical Lutheran Church of
16 America.

17 The system provides a continuum care
18 through its ten acute-care hospitals and children's
19 hospital, with approximately 3600 licensed beds,
20 primary and specialty physician services, outpatient

21 centers, physician office buildings, home healthcare
22 and hospice throughout the metropolitan area of
23 Chicago, Bloomington/Normal, and Eureka.

24 Advocate's underlying ratings are A2, AA+
MARZULLO REPORTING AGENCY (312) 321-9365

♀

35

1 by S&P, and -- that can't be right. And AA by
2 Moody's. I did something wrong here. Excuse me.

3 To many As there. Oh, no, it's A2, AA+
4 and double A by Moody's, S&P and Fitch. I
5 transposed it.

6 Advocate -- and if we can to page 5 -- 6,
7 page 6 -- 7, page 7, their financials. As you can
8 see, they have incredibly strong financials. Debt
9 service coverage of 9.2 percent and 342 days cash on
10 hand.

11 I will make an interesting note. I did
12 have a luncheon meeting with them, and they have put
13 a hold on the capital plans right now because of
14 concern over the Affordable Care Act, Medicaid
15 reimbursement and various things, but they said -- I
16 found this interesting, that the toughest problem
17 they have right now is people who have high
18 deductibles on their insurance come in, have the
19 service done, and skip. They don't pay.

20 So it's the high deductibles that are on
21 insured patients that are hurting them.

22 CHAIRMAN HORNE: Interesting.

23 LENANE: I found that interesting.

24 CHAIRMAN HORNE: Yeah, very interesting.

1 I've not heard that.

2 LENANE: I hadn't either until -- maybe it's a
3 secret.

4 CHAIRMAN HORNE: Any questions for Pam on
5 Advocate?

6 MEISTER: Pam, are we going to have a guest?

7 LENANE: Yes, Jim Doheny, the vice-president of
8 finance and corporate comptroller is coming today.
9 He's not going to speak.

10 I'll just introduce him. He can wave to
11 the crowd, and if you have any questions.

12 MEISTER: Just as a note, Advocate has been a
13 regular and large issuer of the Authority over the
14 years and has been consistently a great supporter of
15 the Authority.

16 CHAIRMAN HORNE: Terrific. Okay. Should we
17 take a vote on Advocate? Is there a motion to
18 approve that item No. 5?

19 FUENTES: So moved.

20 McCOY: Second.

21 FLETCHER: On the motion and second, I'll call
22 the roll. Mr. Fuentes?

23 FUENTES: Yes.

24 FLETCHER: Ms. Juracek?

MARZULLO REPORTING AGENCY (312) 321-9365

1 JURACEK: Yes.

2 FLETCHER: Vice-Chair McCoy?

3 McCOY: Yes.
4 FLETCHER: And Chairman Horne?
5 CHAIRMAN HORNE: Yes.
6 FLETCHER: Ms. Committee Chair, the motion
7 carries.
8 CHAIRMAN HORNE: Is there any other business
9 before this Committee?
10 LENANE: Should we tell Mike to come back in?
11 CHAIRMAN HORNE: Oh, yeah, let's get Mike.
12 Thank you.
13 FLETCHER: Let the record reflect Member Goetz
14 has returned to the room.
15 VICE-CHAIRMAN McCOY: Is there any other
16 business to come before this Committee?
17 Hearing none, is there any public comment
18 for this Committee? Hearing none, I would ask for a
19 motion to adjourn the meeting. Is there such a
20 motion?
21 JURACEK: So moved.
22 FUENTES: Second.
23 CHAIRMAN HORNE: All those in favor?
24 (A chorus of ayes.)
MARZULLO REPORTING AGENCY (312) 321-9365

♀

38

1 CHAIRMAN HORNE: The ayes have it.
2 FLETCHER: The time is 9:16 a.m.
3 (WHICH WERE ALL THE PROCEEDINGS HAD at 9:16 a.m.)
4
5
6
7

9-14-17-1.txt
License No. 084-001624

12
13
14
15
16
17
18
19
20
21
22
23
24

MARZULLO REPORTING AGENCY (312) 321-9365

†