

1 ILLINOIS FINANCE AUTHORITY BOARD
2 TAX-EXEMPT CONDUIT TRANSACTIONS COMMITTEE MEETING
3 July 14th, 2016 at 8:30 a.m.

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7 Report of Proceedings had at the Meeting of the
8 Illinois Finance Authority Tax-Exempt Conduit Transactions
9 Committee Meeting on July 14th, 2016, at the hour of 8:30
10 a.m., pursuant to notice, at 160 North LaSalle Street, Suite
11 S1000, Chicago, Illinois.

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1 APPEARANCE:
2 COMMITTEE MEMBERS

- 3 MR. ROBERT HORNE, Chair
- MR. JAMES J. FUENTES
- 4 MR. MICHAEL W. GOETZ (Via audio conference)
- MR. LYLE McCOY
- 5 MR. BRADLEY A. ZELLER
- MS. ARLENE JURACEK
- 6 MR. ROBERT FUNDERBURG, Ex-Offi cio

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- 8 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

- MR. BRAD FLETCHER, Assi stant Vi ce-Presi dent
- 9 MR. RICH FRAMPTON, Vi ce-Presi dent
- MS. PAMELA LENANE, Vi ce-Presi dent
- 10 MS. ELIZABETH WEBER, General Counsel
- MR. CHRISTOPHER B. MEI STER, Execu ti ve Di rector
- 11 MR. PATRICK EVANS, Agri cul tural Banker (Vi a audi o
conference)
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- 1 CHAIRMAN HORNE: I would like to call the
- 2 meeting to order. I would ask the Assistant
- 3 Secretary if he could call the roll.
- 4 FLETCHER: Certainly. The time is 8:30 a.m.
- 5 I'll call the roll. Committee Chairman Horne?
- 6 CHAIRMAN HORNE: Here.
- 7 FLETCHER: Mr. Fuentes?

8 FUENTES: Here.
9 FLETCHER: Ms. Juracek?
10 JURACEK: Here?
11 FLETCHER: Mr. McCoy?
12 McCOY: Here.
13 FLETCHER: Mr. Zeller?
14 ZELLER: Here.
15 FLETCHER: And Mr. Funderburg as ex-offi cio
16 non-voti ng?
17 FUNDERBURG: Here.
18 FLETCHER: Mr. Commi ttee Chair man, at thi s time
19 we have a quorum.
20 CHAIRMAN HORNE: Thank you. So we had Board
21 packets sent out in advance of the meeting, and
22 included in those were the Board mi nutes from -- or
23 the Commi ttee mi nutes from the last June 9th
24 meeti ng.

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1 Do I have a moti on to approve the mi nutes
2 from the June 9th meeti ng?
3 JURACEK: I'll make that moti on.
4 McCOY: Second.
5 CHAIRMAN HORNE: All in favor?
6 (A chorus of ayes.)
7 CHAIRMAN HORNE: Great.
8 GOETZ: Thi s is Mike Goetz. I j ust got on the
9 phone.
10 CHAIRMAN HORNE: Hi , Mi ke. Thanks for j oi ni ng.
11 GOETZ: Hi . Can you turn it up a li ttle bi t?

12 I can't hear you.

13 CHAIRMAN HORNE: We'll do our best.

14 LENANE: Okay, let's see. Is that better?

15 GOETZ: Yeah. I can hear you real well, Pam.

16 LENANE: I'm yelling into it. We'll move it
17 down a little.

18 GOETZ: Just let the record show that I'm
19 present via phone.

20 CHAIRMAN HORNE: Thank you. So we are next
21 going to get some project reports, and we'll hear
22 all the reports individually; but if there is any
23 Members of this Committee that needs to recuse
24 themselves from any of the reports, I'd ask either

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1 Let us know that, and we can kind of plan the
2 presentations accordingly.

3 GOETZ: Are we going to talk about Presence at
4 this meeting?

5 CHAIRMAN HORNE: Yes, we are.

6 GOETZ: Okay, I need to recuse myself from that
7 one.

8 CHAIRMAN HORNE: Okay. Is there anyone else?

9 JURACEK: Mr. Chairman, I don't need to recuse
10 myself, but just for the interest of full
11 disclosure, I was at the ribbon cutting for the
12 Moorings project in my neighborhood. Many Mount
13 Prospects residents moved there.

14 And so I was invited as a professional
15 courtesy, but I have no financial interest or
16 anything like that.

17 CHAIRMAN HORNE: I think that's no problem.

18 JURACEK: I just needed to make that
19 disclosure, since I'll be running for office in the
20 fall, and I don't need anybody digging up
21 falsehoods.

22 CHAIRMAN HORNE: You bet. Thank you for saying
23 that. So I think what we'll do is --

24 FUNDERBURG: Just very quickly, too. I just
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1 want to let you know even though I'm non-voting at
2 this meeting, I do intend to recuse myself at our
3 Board meeting, with regard to The Art Institute and
4 OSF.

5 CHAIRMAN HORNE: All right. Not a problem.
6 Thank you. So we will consider Item No. 5, which is
7 the Presence Healthcare Network at the end of this,
8 to allow Mike to not participate on that. Okay?

9 So I guess we're going to start out with
10 the agricultural projects. Patrick, do you want to?

11 EVANS: Today we have three beginning farmer
12 bonds. All three bonds will be bank purchased and
13 will be senior mortgage debt.

14 Farm Credit Services, also known as FSA,
15 will participate in the origination of these loans,
16 and we will coordinate their interest in the
17 collateral.

18 The first two loans we have are sisters
19 who are purchasing a total of 40 acres, both half
20 interests. Tracy Heuerman, People's State Bank of

21 Newton, is requesting a beginning bond for she's
22 purchasing a half interest of farmland, 40 acres of
23 farmland for \$96,000 or \$2400 per acre. The
24 property is located in Southeast Illinois in Clay

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1 County. The loan will be originally an FSA 5/45/50
2 loan program.

3 The borrower will inject 5 percent, FSA
4 will finance 45 percent, and IFA will purchase -- I
5 mean, the local bank will finance 50 percent of the
6 remaining debt of \$48,000.

7 This will be a 30-year amortized loan with
8 annual payment of principal and interest. The
9 initial rate will be 3.25 for the first 10 years.
10 The interest rate will adjust every 10 years after
11 that at 2 percent below prime.

12 The floor of 3.25 will be a cap at 12.99.
13 The interest rate will not adjust more than 3
14 percent at any given adjustment period.

15 The second loan is Michelle Mellendorf.
16 Again, People's State Bank is requesting a beginning
17 farmer bond for Michelle, who is purchasing half
18 interest in 40 acres of farmland, \$96,000 or
19 \$2400 per acre. This will be again a FSA 5/45/50
20 loan program.

21 The borrower will inject 5 percent, FSA
22 will finance 45 percent, and the local bank will
23 finance the remaining 50 percent or \$48,000.

24 It will be a 30-year amortization with

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1 annual principal payments and interest. The
2 interest -- the initial interest rate will be 3.25
3 fixed for 10 years.

4 The interest will adjust every 10 years at
5 2 percent below Wall Street prime. The floor 3.25,
6 and a cap of 12.99 will be established, and the
7 interest will not adjust more than 3 percent at any
8 given period.

9 The final loan is Brent McClure. People's
10 State Bank of Newton is requesting a beginning
11 farmer bond for Tracy -- I mean for Brent, who is
12 purchasing 40 acres of ground for \$244,000 or
13 \$6,120 per acre.

14 The property is located in Jasper County
15 in Southeast Illinois. The loan will be originating
16 with an FSA 50/50 program. FSA will finance the
17 first 50 percent purchase, with a local bank
18 financing 50 percent, the remaining 50 percent
19 purchased for \$122,400.

20 This will be a 30-year amortized loan with
21 annual principal and interest payment. The initial
22 rate will be 3.25 for the first 10 years, and then
23 interest will adjust every 10 years thereafter at 2
24 percent below prime. A floor 3.25 and cap of 12.99

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1 will be established, and the interest will not
2 adjust more than 3 percent in any adjusted period.

3 Any questions?

4 CHAIRMAN HORNE: Great. Thank you very much.
5 Our second presentation is Rich.

6 FRAMPTON: Yes. Thanks, Bob. Item 2 is The
7 Art Institute of Chicago. The Art Institute of
8 Chicago will be requesting approval one time of a
9 Final Bond Resolution to advance refund the Art
10 Institute Series 2009 bonds. Back in 2009, The Art
11 Institute issued \$140,000,000 of bonds.

12 The bulk of the proceeds were used to
13 finance and refinance the modern wing. The
14 particular series that is being refinanced, they are
15 all currently fixed-rate bonds bearing an interest
16 rate of 6-percent fixed with a maturity March 1,
17 2038.

18 The refunding bonds will maintain the
19 existing March 1, 2038, final maturity date, but
20 this refinancing will enable The Art Institute to
21 ride down the yield curve.

22 The current estimated 20-year rate, just
23 based on the Municipal Market Data GO bond yield
24 index, which is not exactly comparable, we marked

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1 that up a bit, but looking at a single A, AA credit
2 for 20 years, we would be looking at maybe
3 two-and-a-half percent based on the single A, AA
4 split rating between Moody's and S&P.

5 So they would be able to ride down the
6 yield curve from 6 percent on the existing bonds to
7 2-and-a-half, and this deal will he also enable The

8 Art Institute to -- they begin -- they will amortize
9 principal.

10 So they will be applying a portion of the
11 savings to accomplish that. And just to cite where
12 the yield curve is, 10 years they'd probably be
13 looking at 2.1 percent rate on the bonds, and 5
14 years probably 1.3 to 1.4.

15 So that would be -- that obviously will be
16 a significant positive for The Art Institute. In
17 order to accomplish the refunding of \$40,000,000 of
18 bonds, the refunding escrow will be refunded at an
19 estimated \$47,500,000. The call date is March 21,
20 2019.

21 The remaining bonds out of the 140 include
22 two letter of credit secured deals that are secured
23 with letters of credit, direct pay letters of credit
24 from Northern Trust Company and JP Morgan Chase.

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1 The rates on those have been around 0.3 percent.

2 CHAIRMAN HORNE: Okay.

3 FRAMPTON: So they're keeping those in place.

4 The other \$20,000,000 is yielding 5-and-a-quarter.

5 Those bonds will be due March 1, 2019, and they are
6 not callable. So that's their debt structure.

7 Just in terms of The Art Institute's
8 financing, if I may direct your attention to page 8,
9 there are really three themes. First of all, The
10 Art Institute has been expanding their revenue base
11 across the board. Roughly 50 percent of their

12 operating revenues are actually generated from net
13 student tuition through the school of The Art
14 Institute.

15 The other two primary sources include
16 contributions and auxiliary activities, which
17 include the museum shops, food service, as well as
18 the school, The Art Institute's residence hall. So
19 those are their primary sources of revenue.

20 In terms of the three themes, they have
21 posted strong and improving cash flows, and debt
22 service coverage. Their margins have also been
23 expanding over the last three years.

24 If you look at non-current assets, their
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1 liquidity has been improving. They have been
2 getting donations, plus their operating support is
3 strong.

4 But probably the most important indicator
5 on their balance sheet is if you look at long-term
6 debt from as of June 30, 2013, going to 2014, you
7 will note that their long-term debt repayments have
8 reduced long-term debt by \$75,000,000.

9 That was actually paid out during 2015,
10 and as a result of that scheduled payment, their
11 debt service coverage dropped, as noted in 2015, but
12 all those payments were scheduled.

13 It de-leverages their balance sheet, and
14 the rating agencies considered that a positive; and,
15 in fact, Moody's upgraded The Art Institute's
16 outlook from neutral to positive back in January.

17 So all the credit indicators are going in
18 the right direction here, and it's just indicative
19 of strong management and a good organizational and
20 strategic plan.

21 While this has been going on, they also
22 have not had any need to draw on any of their lines
23 of credit. So what's not to like about of this.
24 De-leverages, accelerates amortization, and I should

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1 also note S&P upgraded the Art Institute from A+ to
2 AA- back in December 2013.

3 So all this happened after they leveraged
4 up their balance sheet in connection with
5 construction of the modern wing in 2009.

6 CHAIRMAN HORNE: Are there any questions for
7 Rich on this?

8 FLETCHER: Chairman Horne, we wanted to note
9 for the record that Mr. Funderburg left the room,
10 prior to Mr. Frampton's presentation.

11 CHAIRMAN HORNE: Oh, yes. Thank you. I would
12 like to thank you for the detail that you presented
13 that in, and I had sent Chris a note a couple days
14 ago about we're seeing a large volume of
15 refinanceings coming through right now.

16 And I think a really relevant fact to kind
17 of look at is what they are paying now versus what
18 they're going to be paying through this refinanceing,
19 and the understand kind of the implications of these
20 refinanceings on these organizations that we're

21 considering. That was very helpful, and I
22 appreciate your digging in on that detail.

23 And I think, you know, for me, when I look
24 at refinancings, I look at it as are they just

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1 trying to buy more term and kick the can down road
2 as an organization that is kind of struggling, or
3 are they really taking advantage of rate, you know,
4 in this market and really improving their operating
5 model.

6 It can kind of -- it will be an
7 interesting analysis, as we do this; but I think for
8 the IFA in 2016, certainly 2017, Rob, you know
9 better than I, but Rich mentions the yield curve.

10 We are dealing with historic low interest
11 rates, and we should be expecting a lot of our
12 clients to be coming through the doors over the
13 next, you know, 12 to 18 to whatever. I don't know
14 what the term is, but I think it's going to be keep
15 a active staff in this organization because we're
16 going to see a lot of financing in the near term.
17 Thank you.

18 MEISTER: Rich, I mean, we had discussed this
19 point, and again I know that you covered it, but, I
20 mean, do you and Pam basically agree with that
21 assessment?

22 FRAMPTON: I think we'll be seeing lots of
23 fixed-to-fixed refunding activity. We're also
24 likely to see a number of refundings that won't be

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1 done for economic reasons, but of the fact that
 2 increasing bank regulation is going to continue to
 3 drive up pricing on letters of credit.

4 And so we expect to continue to see a lot
 5 of transactions where they use the refunding to
 6 alter the security structure of their deal,
 7 primarily.

8 MEISTER: Yeah. And I think that there's going
 9 to be an excellent example of this with Mount
 10 Carmel, which is going to be presented by
 11 Mr. Fletcher.

12 CHAIRMAN HORNE: Great. Okay. I don't know if
 13 that is next.

14 FLETCHER: That is.

15 CHAIRMAN HORNE: We'll lead in to that.

16 LENANE: Two things are happening. One, we're
 17 seeing call dates coming up on the 10-year call from
 18 bonds we financed, we approved and financed early in
 19 the history of the Authority in '04, '05; even '06
 20 and '07 is going to be an advance refunding.

21 And so we have a lot of that new
 22 healthcare and senior living, a lot of refunding.
 23 Then we have interest refundings for interest rate
 24 savings.

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1 And Mike Englehart of Presence will tell
 2 you his fantastic story on the interest rate,

3 present-day value in interest-rate savings, but I
4 think it will just continue.

5 CHAIRMAN HORNE: Yeah. I mean, I think -- I
6 was talking with a hospital yesterday about this
7 and, you know, some of them are going to deal with
8 prepayment penalties, depending on when their
9 issuance was.

10 So it will be -- I don't know, if we have
11 an ability to, you know, track that with old
12 issuance, in terms of where they are on prepayment
13 penalties for refinancing, but I just think it's
14 going to be a very active time.

15 MEISTER: Pam, also, Pam and Rich, just for the
16 record, because we end up putting this up on the
17 Internet, one of you describe the mechanics of the
18 advance refunding.

19 FRAMPTON: Well, sure. On -- you know what --

20 LENANE: No, no, go ahead, Richard, please.

21 MEISTER: Either one.

22 LENANE: We're saying the same thing.

23 FRAMPTON: I will say advance refundings are
24 more common in the sectors that Pam works with

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1 because she has more rated borrowers, but each
2 transaction is eligible for an advance refunding one
3 time. They can be refunded an unlimited number of
4 times, but the advance refunding as with The Art
5 Institute.

6 Normally -- well, a current refunding can
7 be undertaken up to 90 days prior to the call date.

8 So in the case of Art Institute, that would be 90
9 days prior to 3-1-2019. So the advance refunding
10 enables them to undertake the refinancing now. The
11 tax code allows that to occur once.

12 In terms of just the numbers on The Art
13 Institute deal, actually the par amount of bonds to
14 be refunded will be \$40,000,000, but a refunding
15 escrow has to be funded that will pay principal and
16 interest. That will cover all the debt service
17 payments on the bonds, including principal and
18 accrued interest up through the call date.

19 And in the case of The Art Institute
20 deal, it's also paying cost of issuance. So that's
21 how it's funded. It's invested in cash in what are
22 called Treasury SLG securities.

23 And do you have anything to add to that,
24 Pam?

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1 LENANE: Well, no. I think we'll see this in
2 OSF. It is a one-time advance refunding. As Rich
3 said, you can only do this one time during the life
4 of the bonds. And if they're refunding bonds that
5 aren't callable until 2020, and then putting the
6 bonds in escrow, they will keep paying to the
7 original investor.

8 CHAIRMAN HORNE: Right.

9 LENANE: And then the new bonds will have a new
10 rate, and that results in net present-value savings
11 of \$16,000,000 for them.

12 So I think -- I just wanted to add that we
13 have an underwriter in the room, but we really, in
14 my sector, I rely on underwriters who have all the
15 tools of the trade, and they are looking at these
16 numbers all day long. Right?

17 SODEN: Yes, yes.

18 LENANE: Writing them, billing, yeah. But I
19 see those, and I'll say, "When does this come?" How
20 is that? Or when I pay on calls on customers,
21 clients, I ask them.

22 CHAIRMAN HORNE: All right, thank you. Brad,
23 you're going to talk about Mount Carmel, please?

24 FLETCHER: Sure. Next is a Final Bond

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1 Resol uti on on behal f of Mount Carmel Hi gh School in
2 a not-to-exceed amount of \$22,000,000.

3 This, in part, is a refunding of the
4 Series 2003 bonds, which are secured by a letter of
5 credi t issued by JP Morgan Chase. So while this
6 will be a refunding of the 2003 bonds, it's not
7 necessari ly to generate interest-rate savings, but
8 more to exit that variable rate seven-day floater
9 structure and go to a fixed term long 30-year
10 maturi ty on the '03 bonds.

11 Mount Carmel is a Catholic college prep
12 high school located at 64th and Dante on Chicago's
13 south side. This past academi c year, they enrolled
14 approxim ately 657 students. Agai n, the plan of
15 fin ance seeks to refund the school's Series 2003
16 bonds, which are current ly outstanding in

17 approximately \$13.2 million.

18 We had a \$300,000 payment at the beginning
19 of the month that paid down a bit of principal
20 there, as well as to have new capital expenditures
21 of approximately \$8.8 million, including cost of
22 issuance.

23 If I could turn your attention to the
24 middle of page 5 of the report, we provided an

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1 estimated project cost approximately \$1,000,000 in
2 demolition, asbestos removal, another \$1,000,000 in
3 masonry, carpentry.

4 So these are just capital improvements to
5 the campus to make sure everything is upgraded and
6 infrastructure is at the top of the line. One of
7 the biggest costs here that is not delineated, they
8 are replacing a boiler in the basement, too. So
9 that's a very expensive cost that falls under HVAC,
10 plumbing and whatnot.

11 The school is a non-rated entity. So on
12 page 8 of the report, we provided a confidential
13 forecast. We anticipate that they'll generate
14 sufficient operating cash flows to cover the
15 proposed debt service on the Series 2016 bonds. It
16 will have a 31-year maturity. It is anticipated it
17 will actually be 30 years and one month, so the
18 Resolution says 31 years.

19 I did want to point out they are in the
20 middle of phase two of their campaign for

21 fundraisi ng, whi ch they are calli ng The Campai gn for
22 New Century of Excell ence. That is \$50,000,000
23 campai gn. Thi s began i n 2008.

24 So they are making l ots and l ots

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1 i mprovements at thi s campus, whi ch i s par for the
2 course of Cathol ic hi gh school s. The competi ti on i s
3 very strong.

4 Additi onally, there i s an affi liated
5 enti ty, Mount Carmel Educati onal Foundati on, Inc.,
6 whi ch has total net assets of approxi mately
7 \$8,000,000. They are provi di ng a repayme nt
8 guarant ee to Wintrust Bank, whi ch i s purchasi ng the
9 Series 2016 bond. So that i s further
10 collaterali zi ng thi s debt that i s goi ng to be
11 issued. I can answer any questi ons.

12 CHAIRMAN HORNE: Any questi ons? No. Thank
13 you. So our next i tem i s the Newman Foundati on at
14 the Uni versi ty of Illi noi s.

15 LENANE: Yes, the Newman Foundati on at the
16 Uni versi ty of Illi noi s i s requesti ng a one-ti me
17 Final Bond Resol uti on i n an amount not to exceed
18 \$40,000,000.

19 The purpose of the financi ng i s to refund
20 the 2007 bonds, whi ch were used to build student
21 housi ng faci liti es. Newman Foundati on focuses on
22 three -- operati ng on three areas: St. John' s
23 chapel, whi ch has masses for Cathol ics; Newman Hall,
24 whi ch provi des 581 beds for certi fi ed student

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1 housing; and the Institute of Catholic Thought.

2 The financing is a direct placement with
3 PNC Bank. The interest rate will be variable, and
4 will float at a tax-exempt equivalence of LIBOR plus
5 a spread. That rate will be swapped-to-fixed at
6 closing.

7 I think for those who are familiar with
8 Newman Center, they are an all-Catholic
9 university -- pretty much all-Catholic University.
10 This complex was originally built in 1927 at the
11 University of Illinois.

12 The Newman Center is located in the heart
13 of the university campus, directly across from the
14 library and the armory, less than one block from the
15 quad Todd Foellinger Auditorium and most classroom
16 buildings. Right? Did I stay wrong?

17 FRAMPTON: Foellinger.

18 LENANE: Foellinger. The hall was expanded in
19 2008 to the current 581 bed capacity, and this
20 will -- this now will expand that -- no, we're just
21 refunding the bond. Excuse me.

22 Newman is one of the 16 private certified
23 housing facilities included as a part of the
24 university's housing program. Private certified

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1 housing meets standards set by the UIC for all
2 students within any given year.

3 Approximately 27 percent of the entering
4 freshman class chooses to live in one of these
5 private certified housing facilities. I can give
6 you the statistics, but that's okay.

7 The university's private housing, the
8 enrollment -- let me go back. Freshmen are required
9 to spend their first 30 academic hours in university
10 or private certified housings. Students may
11 transfer to Newman Hall without penalty.

12 All students must be eligible to apply for
13 private certified housing, regardless of religion.
14 Newman's audited 2015 financials show good debt
15 service coverage of 1.76, and 165 days cash on hand.
16 I will have the present-value savings shortly.

17 CHAIRMAN HORNE: Don't worry. Any questions on
18 this presentation?

19 Our next presentation will be Item No. 6.
20 We'll skip over No. 5 at the moment. This is the
21 Riverside Medical Center.

22 LENANE: Right. Riverside Medical Center is
23 here requesting a Final Bond Resolution in an amount
24 not to exceed \$90,000,000. They are currently

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1 refunding all or a portion of their 2006C bonds.

2 They are advance refunding part of the
3 Series 2009 bond, and paying -- reimbursing
4 themselves for the cost of acquiring, renovating
5 remodeling or equipping certain healthcare
6 facilities owned by Riverside.

7 97 construction jobs are projected for

8 this work, as well as two new jobs. Riverside is a
9 regional health system operating in the far southern
10 portion of the Chicago metropolitan market and is
11 headquartered in Kankakee.

12 Riverside owns and operates a general
13 acute care hospital in Kankakee, which is licensed
14 for 312 beds. In addition, they have hospitals in
15 Manteno and other he cities around the state of
16 Illinois.

17 In 2011, Riverside opened a new
18 multi-specialty physician and cancer and fusion
19 center in Watseka. The facility provides diagnostic
20 services, lab, radiology and physical therapy.

21 Riverside also owns and operates a senior
22 living community that includes 90 independent living
23 apartments, known as Westwood Oaks; 96 assisted
24 living apartments known as Butterfield Court; and 21

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1 ranch-style family homes for seniors known as
2 Westwood Estates; and 160 bed nursing facility.

3 The senior living facility is located
4 directly across from the medical center in Kankakee.
5 The Living Center also operates assisted living and
6 memory care in Bourbonnais, consisting of 48 studio
7 units for memory care and 32 assisted living.

8 From growth and investments and new
9 programs and service lines, Riverside has added 331
10 new jobs since 2012. Riverside has a history of
11 strong operating margins and favorable liquidity

12 ratios. Operating revenue continued to increase
13 from 2013 to 2015.

14 Net income decreased, primarily due to a
15 decrease in non-operating income due to a decline in
16 investment income. Days cash on hand remains
17 strong, has remained strong over the past three
18 years, with FY -- their last audited financials FY
19 2015, approximately 379 days cash on hand.

20 And the net present value from the current
21 refunding of the Series 2006C bonds, and a partial
22 refunding of the Series 2009 bonds, is estimated at
23 \$6.1 million or 8.2 percent of the refunded par
24 amount. So there was some nice savings.

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1 CHAIRMAN HORNE: Okay. I just had one little
2 question. Under sources --

3 LENANE: Yes.

4 CHAIRMAN HORNE: It says, "The bonds." Then it
5 says, "Original issued premium DSRF release."

6 LENANE: Well, that's the debt reserve.

7 CHAIRMAN HORNE: Okay.

8 LENANE: Is being released. They had that
9 on -- now I don't know if that's for the C bonds --
10 I mean, the 6 or the 9 bonds. I could find that
11 out, though, but that is the debt service reserve
12 that is being released, because their --

13 CHAIRMAN HORNE: Okay. I don't know all the
14 jargon.

15 LENANE: That's okay. Riverside is currently
16 rated A2, A+ by Moody's and S&P.

17 CHAIRMAN HORNE: Okay. Okay. Any other
18 questions? Great. Our next item is Washington and
19 Jane Smith Community in Beverly.

20 LENANE: Exactly. Washington and Jane Smith in
21 Beverly is operating as Smith Village. Smith
22 Village is a not-for-profit requesting a Final Bond
23 Resolution in an amount not to exceed \$35,000,000.

24 They will use the bond proceeds to
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1 currently refund the Series 2005A bond, the 2005B-2
2 bonds, and pay a portion of the cost of issuance.

3 Smith Village is an Illinois
4 not-for-profit located in the Beverly neighborhood.
5 It operates a continuing care retirement community
6 consisting of 149 independent units, 57 traditional
7 assisted living units, 24 memory care units and 100
8 skilled nursing beds.

9 Smith Village is a non-rated entity, but
10 this is a direct purchase issued in one or more
11 series by First Midwest Bank and First Merit Bank.
12 Bonds will be issued at floating rate debt and will
13 be swapped to fixed at closing.

14 The refinancing of the Series 2005A bond
15 and the 2005B-2 bonds will result in a total savings
16 of \$11,300,000 over the next 10 years, with an
17 average annual debt service savings of approximately
18 \$1,100,000.

19 As a result of the issuance, long-term
20 debt obligation will immediately be reduced by

21 \$2,600,000. Debt service coverage is 2.05, and days
22 cash on hand is 93, which is standard for senior
23 living.

24 CHAIRMAN HORNE: Any questions on that? No?

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1 Okay, our next item is OSF Healthcare. Rob has
2 already stepped out of room. So would you like to
3 present that?

4 LENANE: I would. I would. Here is another
5 example of what you referenced at the beginning of
6 the meeting. OSF is seeking a one-time Final Bond
7 Resolution. They are frequent borrowers. We see
8 them often. We look at their financials. So I
9 allowed them to come one time only.

10 We're approving the issuance of tax-exempt
11 bonds in an amount not to exceed \$120,000,000.
12 Proceeds will be used to advance refund the Series
13 2010A bonds. OSF is headquartered in Peoria. Ten
14 of the OSF Hospitals are located in Illinois.

15 The corporation's largest hospital, St.
16 Francis Medical Center in Peoria, is a 609 licensed
17 bed tertiary care teaching center providing numerous
18 specialty services and extensive residency programs.

19 OSF has a lot of community outpatient
20 facilities, 248 physician office facilities and
21 employed physicians, six home health agencies and
22 five hospices.

23 The system currently has 15,290 jobs. OSF
24 is rated A2 by Moody's and A by S&P. The bonds will

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1 be fixed-rate debt with a rate to be determined at
2 pricing. The bonds are being underwritten by
3 Barclays.

4 OSF has strong financials with 3.45 debt
5 service coverage and 250 days cash on hand. The
6 present -- net present value savings from this
7 advance refunding is estimated to be approximately
8 \$16,000,000.

9 CHAIRMAN HORNE: Any questions? So our last
10 item under healthcare is the Moorings of Arlington
11 Heights.

12 LENANE: Right.

13 JURACEK: I earlier said ribbon cutting. It
14 was ground breaking. It's under construction.

15 LENANE: I've never seen this one. That's
16 interesting. The Moorings of Arlington Heights is
17 requesting a Preliminary Bond Resolution to approve
18 a series of tax-exempt bonds in an amount not to
19 exceed \$70,000,000 to fund construction of
20 Fellowship Hall, a 27,000 square-foot resident
21 common area, fund construction of 73 units of
22 assisted living, and construction of a 20 unit
23 memory care expansion.

24 Also, to fund interest on the bonds for
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1 approximately 24 months, so their prepaid interest
2 for the construction period, and pay cost of

3 issuance.

4 The Moorings is a sub of Presbyterian
5 Homes was spun off during a reorganization in 2015.
6 You'll remember earlier this year we did a financing
7 for Pres Homes. And the system, Presbyterian Homes,
8 is located in Evanston.

9 It currently serves approximately 1600
10 older adults in its five facilities and various
11 programs. This construction will create 85
12 construction jobs and 50 new jobs.

13 Presbyterian Homes, of course, has a
14 history that traces back to 1904. It's one of the
15 oldest senior living communities in Illinois. It
16 has expanded significantly since 1922 to present
17 day.

18 The bonds will be a direct purchase by
19 First Midwest Bank and Huntington Bank. The bonds
20 will be variable rate debt with an interest rate
21 hedge.

22 The borrower is a non-rated entity. The
23 bonds will be sold in \$100,000 denominations.
24 Pricing will be determined on the day of pricing. I

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1 don't think I did -- I did the jobs. Sorry.

2 And if we go to the financials, these will
3 be a little clearer the next time we see them. When
4 we get through up through '15, those are
5 Presbyterian Homes' revenue, and then we only have
6 one year of results in 2016 for the Moorings; and
7 the borrower doesn't have audited financials, but

8 the borrower is historically comprised of 25 percent
9 of operating revenue system.

10 So what I would like to do for the next --
11 when it comes back for a final, I would like to
12 break out that 25 percent of the revenue. There
13 just wasn't time to do it. Also, I want to get a
14 one-year projection.

15 CHAIRMAN HORNE: For the Moorings?

16 LENANE: A couple years. For the Moorings.
17 But they were moving fast to get the preliminary
18 done, and sometimes the preliminary isn't as
19 complete. That's why it's called preliminary.

20 Any questions?

21 MEISTER: Chairman Horne?

22 CHAIRMAN HORNE: Yes.

23 MEISTER: If I may, I would like to introduce
24 George Obernagel, our newest Board Member. Bob

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1 Horne, Chair of the Conduit Committee. Lyle McCoy.

2 McCOY: Welcome, George.

3 OBERNAGEL: Thank you.

4 MEISTER: Brad Zeller. Arlene Juracek.

5 JURACEK: Hi.

6 MEISTER: Jim Fuentes.

7 CHAIRMAN HORNE: Welcome to the meeting.

8 OBERNAGEL: Thank you very much.

9 GOETZ: Don't forget me, Chris.

10 MEISTER: Oh, I'm sorry. Mike Goetz on the
11 phone. I apologize, Mike.

12 GOETZ: That's alright.
13 MEISTER: George has traveled a long way this
14 morning from the St. Louis Airport, starting in
15 Waterloo, Illinois, in Monroe County.
16 OBERNAGEL: Great.
17 CHAIRMAN HORNE: Welcome.
18 OBERNAGEL: Thank you very much.
19 CHAIRMAN HORNE: So I think from a presentation
20 perspective, I would like to see -- I would like to
21 request a motion.
22 MEISTER: We have two more resolutions.
23 CHAIRMAN HORNE: We're going to do a motion on
24 the -- no, I'm sorry, you're right. You're right.
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1 I'm sorry.
2 FLETCHER: So And I'll do those quickly. So
3 next is tab 10 in the Board book. That is a
4 resolution on behalf of MAAC Machinery Company and
5 its corporate affiliate, 590 Tower Boulevard, LLC.
6 In 2006, JP Morgan Chase purchased the IFA
7 bond at a fixed interest rate through June 2016. At
8 this time the bank and the borrower have agreed to
9 reset that rate for another five years at a reset
10 rate.
11 In addition to that, re-amortize the
12 outstanding principal. Because they are taking on
13 an extension of the weighted-average maturity, this
14 is not simply an interest rate reset, which this
15 Committee has become familiar with. We also have to
16 undertake some additional documentation with the

17 Governor's Office.

18 We're conducting a public *TFR hearing.
19 So that's why you see that our fee is \$5,000, not a
20 simple \$500. So I wanted to make that distinction
21 for this Committee.

22 Just as background, in 2009, bond proceeds
23 were issued to finance construction of the company's
24 manufacturing facility in Carol Stream. So with

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1 that, I can take any questions on this reissuance.

2 Okay. Next is tab No. 11 in your Board
3 book. This is simply a technical amendment on
4 behalf of Navistar, Inc. In 2010, we issued bonds
5 under provisions of the American Recovery and
6 Reinvestment Act, the Stimulus Act, for the
7 company's relocation to Lisle, as well as equipping
8 another warehouse facility in Joliet.

9 We're simply being asked to correct the
10 scrivener's error that the attorney made back in
11 2010, and it simply concerns the definition of
12 disqualified capital stock. So IFA is happy to do
13 this at no fee. It's just a technical amendment.

14 MEISTER: And just for information on the Board
15 Members, there was a window during federal stimulus
16 that basically allowed the IFA to finance tax-exempt
17 large corporate projects, like corporate
18 headquarters, almost as if dramatically expanded
19 industrial revenue bonds.

20 And at that time, there was a federal

21 allocation by population to each of the 102 counties
22 in the state, and I believe the nine largest cities.

23 And then the Illinois Finance Authority
24 worked with the General Assembly to pass legislation

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1 to allow that to be aggregated. We worked with
2 DuPage County, and we aggregated the stimulus volume
3 cap to allow the corporate headquarters in Lisle for
4 Navistar.

5 FLETCHER: And for context, this Navistar deal
6 in 2010 was a \$150,000,000 deal. Typically, IRBs,
7 industrial revenue bonds, are limited, more or less
8 to \$10,000,000. So that kind of gives you a little
9 bit of context.

10 MEISTER: And those provisions have sunset
11 under federal law.

12 CHAIRMAN HORNE: Okay, thank you. So I would
13 ask for a motion to recommend approval of the
14 following project reports: Items 1 through 4, and
15 Items 6 through 11. Is there a motion?

16 McCOY: So moved.

17 FUENTES: Second.

18 CHAIRMAN HORNE: All those in favor?

19 (A chorus of ayes.)

20 CHAIRMAN HORNE: Okay, thank you. So
21 Member Goetz had asked to be recused from item
22 No. 5. So I don't know, do we put the phone on
23 mute, or do we --

24 FLETCHER: Mike, would you like to state your

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1 reason for recusal before you hang up?

2 GOETZ: Yeah. I have to recuse myself because
3 the company that my son works for is their financial
4 consultant.

5 CHAIRMAN HORNE: Okay. Alright.

6 GOETZ: Alright? So I will just call back in
7 to the 9:30 meeting.

8 CHAIRMAN HORNE: That's fine.

9 MEISTER: Okay.

10 CHAIRMAN HORNE: Very good. Thank you, Mike.

11 MEISTER: Everybody, thank you.

12 FLETCHER: So let the record reflect that
13 Member Goetz has recused himself from deliberations
14 by terminating his participation by audio
15 conference.

16 CHAIRMAN HORNE: Thank you. So our last item
17 to be presented is Item 5, the Presence Health
18 Network. Pam, you're going to give that overview?

19 LENANE: Yes. Presence Health Network is
20 requesting a Final Bond Resolution to approve a
21 series of tax-exempt and taxable bonds in an amount
22 of approximately -- is a not-to-exceed amount of
23 \$1.210 billion to refund all of their outstanding
24 bonds.

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1 As of the sizing, the issue will now be
2 \$970,000,000. So we didn't hit the billion-dollar

3 mark, but this is the best for Presence.

4 Presence is the largest Catholic
5 healthcare system in Illinois. It's also the
6 largest provider of Medicaid services and behavioral
7 services. Presence operates 11 acute care hospitals
8 and 27 senior care services. They employ 20,000
9 people in Illinois.

10 Presence ratings were issued within the
11 last week, and I'll let the CEO give you the
12 results. The bonds will be issued as fixed-rate
13 debt, the rate at which will be determined at
14 pricing. The bonds will be underwritten by JP
15 Morgan Securities.

16 The net present value from this refunding
17 is estimated to be approximately \$50,000,000 and
18 Presence unaudited financial statements for the
19 five-month period ended May 31 showed debt service
20 coverage of 1.33 and 130 days -- 31 days cash on
21 hand.

22 Now I would like to turn the floor over to
23 Mike Englehart, who is the CEO of Presence
24 Healthcare. We also have Jim Kelly, the CFO, who I

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1 think this Committee met before.

2 ENGLEHART: Pam, thank you very much.
3 Chairman, thank you. And Committee Members, thank
4 you for a few minutes of your time.

5 We were here several weeks ago pursuing a
6 bridge loan via JP Morgan. We walked through the
7 reason for that.

8 Chairman, I think your comments earlier
9 about what's the rationale form some of these bigger
10 decisions. For us it's fix, rebuild and grow. So
11 this is a key element of our strategic plan to
12 reposition Presence for the go-forward.

13 A couple key things. That is, in fact,
14 \$970,000,000. We have an opportunity to restructure
15 our entire debt presently. This is a wonderful
16 opportunity for us. The refunding will result in
17 \$50,000,000 of net present value.

18 This will be used immediately to assist us
19 in capital projects, and also fortifying our balance
20 sheet so that we can continue to provide care
21 throughout the state of Illinois.

22 What also is remarkable about this is that
23 the restructuring will change our MADS coverage from
24 \$92,000,000 down to \$73,000,000. So that's profound

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1 and very helpful to us on a go-forward basis.

2 The other thing that I think is noteworthy
3 is we did receive the rating updates from all three
4 Moody's, S&P and Fitch. And while we remain a BBB
5 rated, they did go out of their way to give credit
6 to the management team and the Board for their fast
7 action to try and reposition this healthcare system
8 for the long haul.

9 We're optimistic through the first five
10 months of this year. We are, in fact, ahead of plan
11 and budget. We have, as of yesterday, printed our

12 POS. We look to price on July 26th and with a close
13 of August 16. So we have moved rapidly.

14 Underneath all of this is, in fact, a
15 strategic plan to reposition the healthcare system
16 for the long haul. So we're excited about this and
17 happy to answer any questions you might have.

18 CHAIRMAN HORNE: I would just like to commend
19 you for what you're doing. I've been following the
20 story and have been reading and just to see the
21 presence of your management, no pun intended, of
22 your management team really taking this and doing
23 what you've done in a really short period of time is
24 commendable.

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1 ENGLEHART: It's a great team, and it's a
2 wonderful organization, and we have to keep
3 providing great care on a go-forward basis. So
4 we're happy to serve.

5 CHAIRMAN HORNE: I have one question, and
6 that's just the effects of our State in our
7 reimbursables on your organizations, and I saw that
8 one of the big items that you addressed was when you
9 first came to the Board was cleaning up receivables.

10 ENGLEHART: Yes.

11 CHAIRMAN HORNE: And taking the hit at that
12 time, but I'm just curious given the state of our
13 State, how that is affecting you going forward right
14 now.

15 ENGLEHART: Great question. We have, going
16 back to basics, as far as cleaning up our

17 receivables, current outstanding AR with the State
18 of Illinois is over 300 days.

19 CHAIRMAN HORNE: 300?

20 ENGLEHART: 300. That is a heavy burden to
21 carry. A good piece of news that we did receive
22 approximately two weeks ago is that before session
23 closed for the summer, there was an agreement with
24 all parties, including the Governor, so that we

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1 could expand ACA payments.

2 This is something most other states had
3 taken advantage of. The IHA did a wonderful job of
4 structuring this in such a way that we could take
5 advantage of federal dollars.

6 We were in a log jam where we weren't able
7 to move forward; and as a result of this, pending
8 final approval with CMS, which we think is going to
9 come, many healthcare systems, in particular
10 Presence, will be a significant beneficiary of this
11 for all the Medicaid care that we provide.

12 So we did get some good news. It's got to
13 be finalized by the federal government, but the
14 biggest hurdle was our own State, and I'm happy to
15 say we did make some nice progress.

16 But it's very challenging right now in
17 healthcare, especially if you care for the most
18 needy.

19 CHAIRMAN HORNE: Right.

20 ENGLEHART: Thank you for that question.

21 CHAIRMAN HORNE: Are there any other questions?

22 Okay, great.

23 LENANE: I think we can go --

24 CHAIRMAN HORNE: So I would like, if I could, I
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1 guess ask for a motion for the approval of Item

2 No. 5.

3 JURACEK: So moved.

4 FUENTES: Second.

5 CHAIRMAN HORNE: All those in favor?

6 (A chorus of ayes.)

7 FLETCHER: Do we want to do a roll call just to
8 confirm Member Goetz has recused himself?

9 CHAIRMAN HORNE: Sure.

10 FLETCHER: So on the motion by Ms. Juracek and
11 seconded by Mr. Fuentes, I'll call the roll.

12 Committee Chairman Horne?

13 CHAIRMAN HORNE: Yes.

14 FLETCHER: Mr. Fuentes?

15 FUENTES: Yes.

16 FLETCHER: Ms. Juracek?

17 JURACEK: Yes.

18 FLETCHER: Mr. McCoy?

19 McCOY: Yes.

20 FLETCHER: And Mr. Zeller?

21 ZELLER: Yes.

22 FLETCHER: Mr. Committee Chairman, the motion
23 carries.

24 CHAIRMAN HORNE: Thank you. So are there any
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1 other matters before this Committee? If none, I
2 would ask for a motion to adjourn.

3 ZELLER: So moved.

4 McCOY: Second.

5 CHAIRMAN HORNE: All those in favor?

6 (A chorus of ayes.)

7 FLETCHER: The time is 9:23 a.m.

8 (WHICH WERE ALL THE PROCEEDINGS HAD at 9:23 a.m.)

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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 meeting.

PAMELA A. MARZULLO
License No. 084-001624

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