ILLINOIS FINANCE AUTHORITY
REGULAR MEETING OF THE MEMBERS

REPORT OF PROCEEDINGS had at the regular meeting of the Illinois Finance Authority held Tuesday, January 14, 2020 at 9:30 a.m., pursuant to notice at 160 North LaSalle, Chicago, Illinois.

PRESENT:

ERIC ANDERBERG, Chairman
JAMES FUENTES
MICHAEL GOETZ
ARLENE JURACEK
LYLE McCOY
ROXANNE NAVA
ROGER POOLE
BETH SMOOTS
J. RANDALL WEXLER
BRADLEY ZELLER

ILLINOIS FINANCE AUTHORITY STAFF:

CHRISTOPHER MEISTER, Executive Director
JACOB STUCKY, Deputy Executive Director
RICH FRAMPTON, Executive Vice President
SARA PERUGINI, Vice President, Healthcare/CCGC
BRAD FLETCHER, Vice President
WILLIAM ATWOOD, Vice President
XIMENA GRANDA, Manager of Finance & Administration
LISA BONNETT, Vice President, Water Policy (via audio conference)
CRAIG HOLLOWAY, Purchasing

ALSO PRESENT:

LAWRENCE TONOMURA, Managing Director, Bank of America Securities, San Francisco, CA (via telephone)

JEFF WHITE, Managing Member, Columbia Capital Management LLC

CHAIRMAN ANDERBERG: Good morning. I would like to call the meeting to order.

Would the Assistant Secretary please call the roll.

MR. FLETCHER: The time is 9:35 a.m.

I'll call the roll. Members physically present called first.

Mr. Fuentes?

MEMBER FUENTES: Here.

MR. FLETCHER: Mr. Goetz?

MEMBER GOETZ: Here.

MR. FLETCHER: Ms. Juracek?

MEMBER JURACEK: Here.

MR. FLETCHER: Mr. McCoy?

MEMBER MCCOY: Here.

MR. FLETCHER: Ms. Nava?

MEMBER NAVA: Here.

MR. FLETCHER: Mr. Poole?

MEMBER POOLE: Yes.

MR. FLETCHER: Ms. Smoots?

MEMBER SMOOTS: Here.

MR. FLETCHER: Mr. Wexler?

MEMBER WEXLER: Here.

MR. FLETCHER: Mr. Zeller?

MEMBER ZELLER: Here.

MR. FLETCHER: Mr. Chairman?

CHAIRMAN ANDERBERG: Here.

MR. FLETCHER: Mr. Chairman, a quorum of members physically present in the room has been constituted.

At this time, I'd like to ask if any members would like to attend via audio conference?

(No response.)

Hearing none, we may proceed.

CHAIRMAN ANDERBERG: Thank you.

Does anyone wish to make any additions, edits, or corrections to today's agenda?

(No response.)

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

MEMBER GOETZ: So moved.

MEMBER JURACEK: Second.

CHAIRMAN ANDERBERG: We have a motion and a second.

All those in favor?

(A chorus of ayes.)

Opposed?

(No response.)

The ayes have it.

Is there any public comment today for the members?

We have a number of issues to get to today, and the IFA is starting off on the right foot. I would like to welcome back Waste Management again. I hope they come back more often.

Mr. Meister.

MR. MEISTER: Thank you, Mr. Chairman.

Again, I echo the Chairman's comment. We have had a very good six months opening the current fiscal year. My colleagues will be providing those details as we move forward.

The board members do have copies of the audited financials. We intend to have a meeting called or ask for a meeting to be called of the Audit Plus Committee at the February meeting.

We received notice yesterday morning about the release of the audited financials by the Auditor General's Office today, but as we sit here today, the last time we checked their website, it had not yet been posted. So it's not appropriate to discuss other than mentioning it.

I will just note that we do have a new element, the transmittal letter from me, the Executive Director, to the Chairman. That is between the two covers of the audited financials. That's new, and I think it represents a significant victory in our partnership with the Auditor General's Office so that the Authority collectively is able to more effectively tell its story in a clear and succinct manner.

You will also be hearing later on today -- and again, welcome Jeff White, who is representing Roosevelt University, one of this State's great higher ed institutions, and he is the financial advisor, but as the Members know, nonprofit higher ed is a very important part of the Authority's Statutory Impact Mission, it's an important part of our bond issuance volume, and it's an important part of our revenue picture since we are self-supporting.

I ran across some numbers yesterday because higher ed, particularly nonprofit higher ed, there's been a lot written in the media recently about the very challenging environment that this sector is in. Population growth is at the lowest in a century in this country. Millennials are delaying having children and immigration is at its lowest in three years. Some of our longer serving Board Members will recall that various institutions had highlighted in past bond issuances to us a business strategy aimed at capturing a higher number of foreign students.

To give you sort of an idea of the proportions here because, of course, higher ed really operates on the number of 18-year-olds who potentially could attend institutions of higher learning, that there are 1.1 million fewer children today at the end of 20 -- or at the end of 2019 than there were at the end of 2009. And the number of adults between 2010 and 2020 grew by 8.8 percent, but between 1980 and recently, the percentage of children of the American population declined from 28 percent to 22 percent. So it is, indeed, on the numbers, a very challenging environment.

But we do want to compliment the leadership of both Roosevelt and Robert Morris because as you see from your Board Book and the public documents and as Mr. Frampton related to the Conduit Committee, and he will provide the highlights in this meeting, Roosevelt and Robert Morris recognize these challenges, they took appropriate action, and they are executing a plan aimed at maintaining these anchor institutions in Chicago and northeastern Illinois.

Roosevelt has long had since the '40s a particularly broad-based and welcoming mission for commuter students and first generation students and we recognize that and our state is a richer, more competitive place because of it.

So with that, I will turn it over, but I wanted to highlight that for the members and for the stakeholders.

CHAIRMAN ANDERBERG: Thank you, Chris.

Committee reports. Mr. McCoy.

MEMBER McCOY: The Conduit Financing Committee met earlier this morning and voted unanimously to recommend for approval the following the New Business items on today's agenda:

Project for Waste Management, Inc.

Project for Roosevelt University.

Resolution for Northwest Community Hospital.

Resolution for OSF Healthcare System.

Resolution for North American Spine Society.

Resolution for The British Home for Retired Men and Women.

And finally, a Resolution for the Museum of Science and Industry.

CHAIRMAN ANDERBERG: Thank you, Lyle.

MR. MEISTER: Mr. Chairman, Mr. Chairman McCoy, at the last two or three meetings, we have had a discussion, a public discussion here particularly on the amendments to various bond issuances and the amount of information that is contained within our reports. One of our long-tendered members, Mr. O'Brien, had raised this as a concern I think in December and in October.

I do want to highlight some of our additional language that we have added to the reports, both the public and the confidential reports. If you'd turn to Tab 7, just as an example.

MR. FLETCHER: Just confidential.

MR. MEISTER: No, there was some additional language that was added by Mr. Frampton too.

So I'm going to highlight on page 2 and read it into the record right above the recommendation, this has been added to the topic that was raised by Member O'Brien.

As a conduit issuer or as a conduit bond issue, the bank, in this case, PNC, as bond purchaser of the Series 2017A Bond and BMO Harris Investment Company as bond purchaser of the Series 2017B Bond are each assuming 100 percent of the borrower default risk on the respective series of bonds owned.

So I want to highlight that concept because that's where the risk lies in these amendments. They're often bank purchases. They're the ones making the credit decisions.

But if you go into the confidential section, and we added this -- and again, we can't predict the future. It just so happened that the series of amendments that were on the agenda this time here at the January 2020 meeting lent themselves to adding a snapshot of the financials, and there is the source, we have got some additional language, it's an outstanding Authority bond issue, an in-depth financial review was presented at the time of the original issuance, and accordingly, the financial statement excerpts are presented below without further comment.

You know, hopefully, this will address Mr. O'Brien's concerns. I'll follow up with him after this meeting.

This was what the collective staff determined was within the scope of our resources and our relationships with our borrowers. This was a solution that we collectively developed and we hope that Mr. O'Brien will find it satisfactory.

CHAIRMAN ANDERBERG: Thank you, Chris.

I'd like to ask for the general consent of the Members to consider New Business Items 1 through 7 collectively and to have the subsequent recorded vote applied to each respective individual item, unless there are any specific New Business items that a member would like to consider separately.

MEMBER FUENTES: I would like to recuse myself from any deliberations and voting with respect to Item 7, the Museum of Science and Industry, of the New Business items because I am a Board member for the Borrower.

MEMBER GOETZ: And Mr. Chairman, I would like to recuse myself from deliberations and voting with respect to Item 3, Northwest Community Hospital, and Item 4, OSF Healthcare System, of the New Business items because I have a family member who works for the financial advisor in these transactions.

CHAIRMAN ANDERBERG: Thank you.

Then I would like to ask the staff to now present the Project Reports and Resolutions, which will be the considered collectively. Items 3, 4, and 7 will be considered separately at the end.

MS. PERUGINI: Item No. 1, Waste Management Inc.

Item No. 1 is a Solid Waste Disposal Revenue Bond request. Staff requests approval of a Preliminary Bond Resolution for Waste Management, Inc. in a not-to-exceed amount of $500 million.

The purpose of this Preliminary Bond Resolution is to establish reimbursement eligibility for this financing to enable Waste Management to refinance project-related expenditures going back 60 days from today's date, or November 12, 2019, as authorized by the Internal Revenue Code.

Accordingly, the Preliminary Bond Resolution will set the "reimbursement clock" and enable all capital expenditures incurred after November 12, 2019 to be refinanced with the proceeds of a future Authority bond issue.

Authority staff expects the $500 million of tax-exempt bonds covered by the Preliminary Bond Resolution for your consideration today to be issued in multiple tranches over the next 5 to 10 years.

The project description contemplates projects located statewide and prospectively includes all Waste Management operating facilities throughout Illinois, comprising (i) landfill facilities; (ii) transfer stations; and (iii) collection facilities.

The specific Waste Management project sites to be financed will be identified by Waste Management in a TEFRA Hearing conducted prior to consideration of any Final Bond Resolution.

As with the recent $50 million Series 2019 bonds issued in November by the Authority, Waste Management expects that the future bonds will be initially sold and remarketed based on Waste

Management Inc.'s S&P long-term and short-term debt ratings.

S&P currently assigns Waste Management a long-term debt rating of A- and a short-term rating of A-2, both with stable outlooks.

The interest rate modes and maturities will be evaluated by Waste Management based on market conditions in advance of pricing the future bonds.

Authority staff expects to allocate available prior year carryforward volume cap designated for Solid Waste Disposal Bond Project financings as Waste Management issues bonds against this $500 million Inducement Resolution parameter.

Based on the Authority's anticipated carryforward filing with the IRS next month, Authority staff anticipates having at least $150 million of prior year solid waste disposal carryforward available during calendar year 2020, which is expected to be sufficient to cover anticipated calendar 2020 demand.

This Preliminary Bond Resolution will be a next step in building on the Authority's and its predecessor, Illinois Development Finance

Authority's, 40 year legacy of issuing tax-exempt bonds for pollution control and solid waste disposal projects.

Mr. Frampton, I believe we have a guest joining us via audio conference?

MR. FRAMPTON: Yes, it is my pleasure to introduce Mr. Lawrence Tonomura, Managing Director, Bank of America Securities in San Francisco. Lawrence has dialed in this morning from Pittsburgh.

Lawrence, do you have any comments?

MR. TONOMURA: I do. Thank you, Rich.

Mr. Chairman, members of the Board of the Illinois Finance Authority, first opening comment is thank you very much for a wonderful relationship not just with Waste Management but also with Bank of America.

The Conduit Program is one of the most successful that we have ever been able to participate with. Professional staff are very open in terms of providing assistance. Most importantly when we need guidance in terms of how does this work, staff has been there every step of the way. And that demonstrates in terms of Waste Management as well as other borrowers that we work with, but here focusing on Waste Management, the longstanding history and relationship that Waste Management has with the IFA is because of the tremendous work by staff as well the support from the Board. So a big thank you.

In terms of the project that we're being asked for an inducement for, these are the traditional solid waste facilities that the company has in the past financed with the IFA in the State of Illinois, and these are the landfill assets, these are the collection systems that allow for the hauling, the transferring, and in certain situations the landfilling of waste. This is an important business line for the company, and because they are able to use the tax-exempt financing method, it really does allow for the company to control pricing cost, which translates to the benefit of the residents of the State of Illinois.

So with that, happy to answer any additional questions, but the most important comment is thank you, thank you for the wonderful support and the hard work that you continue to provide for Waste Management.

Thank you, Rich.

MR. FRAMPTON: You're welcome, Lawrence.

CHAIRMAN ANDERBERG: Thank you.

MS. PERUGINI: Does any member have any questions or comments?

MR. MEISTER: Sara.

Lawrence, thank you for that statement. This is Chris Meister. I think you manage or you succinctly illustrated the public policy goals that are advanced by federally tax-exempt conduit financing and here with the example of the safe and economic disposal and handling and transfer and transportation of solid waste. So thank you. That was a great way to describe one aspect of what the Authority does and what the Authority's essential public mission is. Thank you.

MR. TONOMURA: Thank you.

MS. PERUGINI: Item No. 2, Roosevelt University.

Item No. 2 is a 501(C)(3) Revenue Bond request. Staff requests approval of the Final Bond Resolution for Roosevelt University in a not-to-exceed amount of $15 million.

The Final Bond Resolution

contemplates the Series 2020 bonds may be issued in one or more series and subseries, including both tax-exempt and taxable series.

In December, the Authority approved a Preliminary Bond Resolution as a Resolution of Intent on behalf of Roosevelt in an amount not-to-exceed $15 million, thereby enabling the expenditures incurred beginning October 11, 2019, to be financed or refinanced with the contemplated Series 2020 bonds.

As proposed, the Series 2020 bonds will be sold on a non-rated basis.

Accordingly, the Series 2020A tax-exempt and Series 2020B taxable bonds will be underwritten by Wells Fargo Securities and privately placed in minimum denominations of $100,000 to accredited investors or qualified institutional buyers consistent with the Authority Bond Handbook requirements.

As a result, no policy exceptions will be necessary.

The initial purchaser has been identified as Preston Hollow Capital LLC of Dallas, Texas, which is also the bond owner representative on Roosevelt's outstanding Series 2018A, 2018B, and 2019A bonds issued by the Authority.

As the bond owner representative, Preston Hollow has the ability to consent to Roosevelt issuing the proposed Series 2020A and Series 2020B bonds as additional indebtedness.

As proposed, Roosevelt would use the Series 2020 tax-exempt bond proceeds to (i) pay or reimburse Roosevelt for the payment of costs of acquiring certain assets of Robert Morris University Illinois; (ii) pay or reimburse Roosevelt for payment of the costs of acquiring fixtures, furniture, and equipment, making improvements to Roosevelt-owned facilities at five facilities currently leased by Robert Morris University; (iii) relocating staff and programs; (iv) capitalizing a debt service reserve fund; and (v) potentially paying bond issuance costs.

Roosevelt currently anticipates assuming leases at the five Robert Morris locations identified in the report.

Roosevelt's acquisition of Robert Morris was publicly announced on October 7, 2019, following its application to the Higher Learning

Commission as the accreditation body for Roosevelt and Robert Morris.

Appendix A to the staff report contains Roosevelt's public announcement and key content from Roosevelt's website describing its Robert Morris University acquisition plan.

Appendix A comprises the last 11 pages of the materials provided in Tab 2.

Following approval by the Board of the Higher Learning Commission, the proposed acquisition must close within 31 days pursuant to Higher Learning Commission requirements.

Finally, here are three key timing and scheduling updates to our discussions from last month:

One, Roosevelt now plans to close on the Series 2020 bonds in early February, in advance of approval from the Higher Learning Commission and approvals from the Illinois Board of Higher Education and the governing bodies of each institution.

The new February closing and funding date will enable Roosevelt to be reimbursed for cash-funded capital expenditures already completed.

Roosevelt will submit all subsequent draw requests to Preston Hollow Capital for review.

Second, Roosevelt will be required to close on the acquisition within 31 days after Higher Learning Commission Board approval.

Third, within five to six weeks of closing on the Robert Morris acquisition, Roosevelt expects to return to the Authority with a Resolution requesting release of an official statement on the Series 2020 bonds. This step is new and was not contemplated last month.

Content in the official statement will reflect public information that Roosevelt will disseminate following the Robert Morris acquisition and include new Roosevelt EMMA filing information that will not be posted until February, including Roosevelt's August 31, 2019, audit report and management narrative.

Based on a tentative timetable, Authority staff anticipates this Resolution would proceed for consideration at the Authority's May 2020 Board meeting.

Mr. Frampton, I believe we have some guests joining us today.

MR. FRAMPTON: Yes. It is my pleasure to introduce Mr. Jeff White, managing member of Columbia Capital Management LLC. Jeff is financial advisor to Roosevelt, and he is based in Overland Park, Kansas and Chicago.

Jeff.

MR. WHITE: Good morning, Mr. Chairman and members of the Board.

As Chris mentioned at the beginning of the meeting, my name is Jeff White with Columbia Capital. We have been the longstanding financial advisor to Roosevelt University.

Thank you so much for consideration of this item. I know the par amount is small, but it's really critically important to this transaction.

I don't think this is going to be the last kind of transaction that the Board sees like this. I can tell you it is incredibly complex. There is something like two-dozen cross-institution committees working today to get things in place so that hopefully when HLC approves this transaction, that will be ready for 1800 students to effectively kind of move across the street in a seamless manner and obviously maintaining that enrollment base is critically important.

A huge thanks, as always, to your staff, particularly Rich and Elizabeth. Really, this began back in the fall of 2018 when Roosevelt first started working with Preston Hollow on a series of financings. Rich and I trade way more emails at 11:00 o'clock at night than either of us would probably prefer to admit.

Again, thank you so much on behalf of President Malekzdeh and CFO Andrew Harris and really appreciate your consideration of the item.

MR. MEISTER: Jeff, just one quick clarification for the members.

Can you talk a little bit about the Higher Learning Commission, who they are, what their role is, and what they're considering because it's got a name that sounds like a state or a federal-based entity but it is more of a sector-driven voluntary --

MR. WHITE: It is an industry organization. So in higher education, every higher ed institution wants to become accredited. HLC is the accrediting body for this region. They're the accrediting body for both Roosevelt and for Robert Morris.

Typically once a decade or so, these higher ed institutions go through an accreditation process that includes a whole host of kind of written information and then site visits from a team of people from other universities come in, looking at best practices, is the University following its own policies, and those kinds of things.

Roosevelt went through that process relatively recently, I want to say within the last two years, and is in the early part of a ten-year accreditation process. But when these organizations come together, HLC is required to come in again to make sure that the transaction won't impair the accreditation that Roosevelt recently received.

So it is an incredibly in-depth review. I have seen the packet that went to HLC. It is very, very thick. It covers everything from student enrollment to financials to HR practices and a whole host of other issues, again, site visit involved presentation before that body, and fingers crossed that everything has gone according to plan at this point and we hope that HLC will, indeed, approve the asset purchase at its meeting in February.

Thanks, Chris.

CHAIRMAN ANDERBERG: Thank you.

MS. PERUGINI: Does any member have any comments or questions?

(No response.)

Item No. 5, North American Spine Society.

Item No. 5 is a Resolution relating to the Series 2014 bond previously issued by the Authority on behalf of North American Spine Society.

Approval of this Resolution will provide consent to changes as agreed to by the Borrower and BMO Harris Bank concerning the Series 2014 bond. Specifically the Borrower and the Bank desire to convert the Series 2014 bond from the index rate to a long-term rate and extend the initial term approximately 9 years and 6 months to July 1, 2029.

This Resolution authorizes the execution and delivery of a First Amendment to Trust Indenture and approves related documents to effectuate the change in the interest rate formula.

Does any member have any questions or comments?

(No response.)

Item 6, The British Home for Retired Men and Women.

Item 6 is a Resolution relating to the Series 2011 bond previously issued by the Authority on behalf of The British Home for Retired Men and Women.

Approval of this Resolution will provide consent to changes as agreed to by the Borrower and First Midwest Bank concerning the Series 2011 bond. Specifically, the Borrower and the Bank desire to decrease the effective interest rate borne on the Series 2011 bond and extend the initial term by approximately 9 years. The interest rate borne on the Series 2011 bond will now be based on LIBOR but synthetically fixed.

This Resolution authorizes the execution and delivery of a First Amendment to Bond and Loan Agreement and approves the related documents to effectuate the change in the interest rate formula.

Does any member have any questions or

comments?

MEMBER NAVA: I did have a question. Are they located in Brookfield, Illinois?

MR. FLETCHER: Yes, that's correct. They're currently doing business as Cantata Adult Life Services.

MEMBER NAVA: Okay.

MS. PERUGINI: Any additional questions or comments?

(No response.)

Thank you.

CHAIRMAN ANDERBERG: Thank you. I'd like to request a motion to pass and adopt the following New Business items: Items 1, 2, 5, and 6.

Is there such a motion?

MEMBER MCCOY: So moved.

MEMBER GOETZ: Second.

CHAIRMAN ANDERBERG: Motion by Mr. McCoy; second by Mr. Goetz.

Will the Assistant Secretary please call the roll.

MR. FLETCHER: On the motion and second, I will call the roll.

Mr. Fuentes?

MEMBER FUENTES: Yes.
MR. FLETCHER: Mr. Goetz?
MEMBER GOETZ: Yes.
MR. FLETCHER: Ms. Juracek?
MEMBER JURACEK: Yes.
MR. FLETCHER: Mr. McCoy?
MEMBER MCCOY: Yes.
MR. FLETCHER: Ms. Nava?
MEMBER NAVA: Yes.
MR. FLETCHER: Mr. Poole?
MEMBER POOLE: Yes.
MR. FLETCHER: Ms. Smoots?
MEMBER SMOOTS: Yes.
MR. FLETCHER: Mr. Wexler?
MEMBER WEXLER: Yes.
MR. FLETCHER: Mr. Zeller?
MEMBER ZELLER: Yes.
MR. FLETCHER: Mr. Chairman?
CHAIRMAN ANDERBERG: Yes.
MR. FLETCHER: Mr. Chairman, the motion carries.
CHAIRMAN ANDERBERG: Okay. Please continue with Items 3 and 4, and I would like to ask Member Goetz to exit the room.

(Exit Member Goetz.)

MR. FLETCHER: Please let the record reflect that Member Goetz has recused himself from deliberations and voting by exiting the room.

MS. PERUGINI: Thank you.

Item No. 3, Northwest Community Hospital.

Item No. 3 is a Resolution relating to the Series 2008B, Series 2008C, and Series 2011 bond previously issued by the Authority on behalf of Northwest Community Hospital.

The Borrower desires to convert the bonds to bear interest at fixed rates and the bonds will be tendered and purchased by JPMorgan Chase Bank, national association or an affiliate.

In connection with the conversion, the Borrower would like to make certain amendments to the original bond trust indentures and new bonds will need to be issued. The purchaser of the bonds will consent to such amendments as well.

This Resolution authorizes and approves the execution and delivery of supplemental bond trust indentures, new bonds, and tax agreements, and other documents as necessary.

Does any member have any questions or comments?

(No response.)

Item No. 4, OSF Healthcare System.

Item 4 is a Resolution relating to the Series 2008A, 2008B, and Series 2015 bond previously issued by the Authority on behalf of Little Company of Mary Hospital and Healthcare Centers.

Little Company of Mary and OSF Healthcare Systems have entered into an affiliation agreement under which Little Company will merge into OSF on or about February 1st, 2020.

The master trust indenture relating to Little Company will be terminated, and the obligations securing the bonds thereunder will be cancelled and exchanged for obligations issued pursuant to the OSF master trust indenture. The letter of credit providers with respect to the Series 2008 bonds and the owner of the Series 2015 bonds will consent to the merger and obligation exchange.

This Resolution authorizes and approves the execution and delivery of supplements and amendments relating to the bonds and certain other documents which may be necessary to reflect the assumption by OSF of the obligations of Little Company as a result of the merger and obligation exchange and any necessary waivers, consents, or approvals in connection with the merger and obligation exchange.

Does any member have any questions or comments?

(No response.)

CHAIRMAN ANDERBERG: Thank you.

I would like to request a motion to pass and adopt the following New Business items: 3 and 4.

Is there such a motion?

MEMBER POOLE: So moved, Mr. Chairman.

MEMBER FUENTES: Second.

CHAIRMAN ANDERBERG: Motion by Mr. Poole, second by Mr. Fuentes.

Will the Assistant Secretary please call the roll.

MR. FLETCHER: On the motion and second, I will call the roll.

Mr. Fuentes?

MEMBER FUENTES: Yes.
MR. FLETCHER: Ms. Juracek?
MEMBER JURACEK: Yes.
MR. FLETCHER: Mr. McCoy?
MEMBER MCCOY: Yes.
MR. FLETCHER: Ms. Nava?
MEMBER NAVA: Yes.
MR. FLETCHER: Mr. Poole?
MEMBER POOLE: Yes.
MR. FLETCHER: Ms. Smoots?
MEMBER SMOOTS: Yes.
MR. FLETCHER: Mr. Wexler?
MEMBER WEXLER: Yes.
MR. FLETCHER: Mr. Zeller?
MEMBER ZELLER: Yes.
MR. FLETCHER: Mr. Chairman?
CHAIRMAN ANDERBERG: Yes.
MR. FLETCHER: Mr. Chairman, the motion carries.
CHAIRMAN ANDERBERG: Okay. Before we do No. 7, I would like to ask Member Fuentes to exit the room and Member Goetz to return.
(Exit Member Fuentes.)
(Enter Member Goetz.)

MR. FLETCHER: Let the record reflect that Member Fuentes has recused himself from deliberations and voting by exiting the room while Member Goetz has returned to deliberations and voting at this time.

MS. PERUGINI: Thank you.

Item No. 7, Museum of Science and Industry.

Item 7 is a Resolution relating to the Series 2017A and Series 2017B bonds previously issued by the Authority on behalf of the Museum of Science and Industry.

Approval of this Resolution will provide consent to changes as agreed to by the Borrower and PNC Bank and BMO Harris Bank concerning the Series 2017A bond and Series 2017B bond. Specifically, the Borrower and the Bond Purchasers desire to decrease the effective interest rate borne on the Series 2017A bond and Series 2017B bond.

Furthermore, BMO Harris Bank will be assigning the Series 2017B bond to its affiliate BMO Harris Investment Company LLC contemporaneously with the execution and delivery of the First Amendment to Bond and Loan Agreement.

This Resolution authorizes the execution and delivery of each First Amendment to the Bond and Loan Agreement and approves related documents to effectuate the change in the interest rate formula on both the Series 2017A bond and Series 2017B bond.

Does any member have any comment or questions?

(No response.)

CHAIRMAN ANDERBERG: Thank you, Sara.

I would like to request a motion to pass and adopt the following New Business item: Item No. 7.

Is there such a motion?

MEMBER GOETZ: So moved.

MEMBER JURACEK: Second.

CHAIRMAN ANDERBERG: Motion from Mr. Goetz, second by Ms. Juracek.

Will the Assistant Secretary please call the roll.

MR. FLETCHER: On the motion and second, I will call the roll.

Mr. Goetz?

MEMBER GOETZ: Yes.

MR. FLETCHER: Ms. Juracek?
MEMBER JURACEK: Yes.
MR. FLETCHER: Mr. McCoy?
MEMBER MCCOY: Yes.
MR. FLETCHER: Ms. Nava?
MEMBER NAVA: Yes.
MR. FLETCHER: Mr. Poole?
MEMBER POOLE: Yes.
MR. FLETCHER: Ms. Smoots?
MEMBER SMOOTS: Yes.
MR. FLETCHER: Mr. Wexler?
MEMBER WEXLER: Yes.
MR. FLETCHER: Mr. Zeller?
MEMBER ZELLER: Yes.
MR. FLETCHER: Mr. Chairman?
CHAIRMAN ANDERBERG: Yes.
MR. FLETCHER: Mr. Chairman, the motion carries.
CHAIRMAN ANDERBERG: Thank you. Do you want to ask Mr. Fuentes to come back in.
(Enter Member Fuentes.)
MR. FLETCHER: Please let the record reflect that Member Fuentes has returned to the room.

MR. STUCKEY: Good morning. On Tab 8, you'll see a memo from Executive Director Meister which I'll present.

S&P Global Ratings proposed an revised methodology for US rental housing bonds. As a part of this process, multiple members of our staff participated in an S&P webinar on the proposed methodology. Then we ultimately decided to comment on the methodology, which you will find on the following pages.

On the following pages, you will see we gave a brief background on the Authority, our experience on some bonds that use -- that had S&P investment grade, S&P ratings and their eventual -- their rapid decline. Then we went into some of the S&P rating methodology and we also included some broad elements for consideration as a part of that, their revised methodology.

You will find that on the second and third pages.

If anybody has any questions.

(No response.)

On Tab 9, this is a follow up to the December 10, 2018, Board meeting, Agenda Item 12.

We attached The Bond Buyer article, "Taxables Could Account for 20 Percent of Municipal Bond Issuances in 2020."

On the following page, you will find the article and a couple of points that I wanted to highlight.

The person attributed, Jeff Lipton, Managing Director of head of Municipal Research and Strategy in Oppenheimer was quoted in the article saying that he believed that 20 percent of all 2020 issuances will be in the taxable variety, but he did say that they are not concerned that taxable issuance would have a crowding out effect for additional tax-exempt bonds as the buyers are different bases. They have different buyers for both the taxable and tax-exempt.

But does anyone have any questions?

(No response.)

MS. PERUGINI: Item No. 10 in your Board Book is a memo that kind of sets forth some rules, regulation, and transparency in the Municipal Securities Market.

The Authority as a conduit issuer operates in the framework of the Municipal

Securities Market established and regulated by many federal and state agencies, and kind of below details a high level snapshot of how certain rules are created and changed and the Authority's role in connection therewith.

The first article addresses the Municipal Security's Rulemaking Board and its Electronic Municipal Market Access System. So the MSRB is the principal regulator of the Municipal Securities Market. It was established by Congress in 1975, and it's authorized to regulate broker/dealers, banks, and municipal advisors that provide advice to municipal entities about the issuance of bonds and municipal financial products.

The MSRB creates rules for such dealers and municipal advisors, and it also protects investors and the municipal entities by increasing the transparency and availability of market information by making such information publicly available and free via its Electronic Municipal Market Access, or otherwise known as EMMA, website.

So the first article behind the memo details that.

The second article addresses the

Securities Exchange Commission and its interaction with the MSRB.

The SEC is one of the entities that oversees the MSRB. In furtherance of the MSRB's mission to protect the interests of Municipal Security's investors, issuers, and the public, the MSRB establishes rules, which are generally subject to the SEC approval, and members may find article number 2 interesting in connection with a recently proposed MSRB rule.

Finally, just a little bit of a framework context. The National Association of Health and Educational Facilities Finance Authorities, that's a mouthful, otherwise known as NAHEFFA, is a national association representing issuers of tax-exempt debt like ourselves. The Authority is a longstanding member of NAHEFFA, and NAHEFFA provides educational and professional development opportunities for its members as well as advocacy and support for issues of importance to conduit issuers.

As a part of NAHEFFA's advocacy and support on behalf of its members, the NAHEFFA president meets with MSRB once or twice a year. The

Authority's own Executive Vice President, Pamela Lenane, is a past NAHEFFA president, and NAHEFFA member Barry Fick, who is the Executive Director of the Minnesota Higher Education Facilities Authority, was recently named to an MSRB Advisory Committee on compliance.

The Authority monitors federal rulemaking and legislation through organizations such as NAHEFFA, and while the Authority always cooperates with various federal and state regulators and market participants, where appropriate, either directly or indirectly through larger organizations such as NAHEFFA, we work to have constructive input on rulemaking and legislative process. Such input is generally in the form of comments or a comment process, and through its comments, the Authority may highlight practical or real world implications that a regulator who is drafting the rules may not have considered or have even been aware of.

Article No. 3 in your Board book is NAHEFFA's December 18, 2019, comments to the second article, SEC Release, and in its comments, NAHEFFA raises questions and provides recommendations with respect to the MSRB's proposed rule change.

This proposed rule change in the comments are technical, but a brief synopsis is that in response to complaints by financial analysts that entities are not filing their financials in a timely enough manner after their year end, the MSRB proposes to create an algorithm from all of your required filings, which pulls the year-end date and the date that the financials are actually filed and produces and posts a calculation of time between those two dates.

One of the things that NAHEFFA evaluates proposed rules for is that they are rationally related to improving information regarding investment decisions. So in this case, in its comments, NAHEFFA takes the position that while it is not opposed to such rule change in including that calculation on the EMMA website, it needs to be vetted by the industry to ensure that it works as intended and provides value.

So please see me with any questions or comments you may have.

CHAIRMAN ANDERBERG: Thank you.

MR. ATWOOD: Good morning, the executive director asked that I update you on the policy initiatives to consolidate downstate and suburban police and fire pension fund investment authority and I'm pleased to do so.

The short report is everything is going well, but before I go into that, I would like to give you the background.

As you will recall, a little less than a year ago, the Governor appointed the Pension Consolidation Feasibility Task Force. The purpose of that task force was to review Illinois' pension systems and identify areas where value could be added through consolidation. An initial focus of the task force was downstate police and fire retirement boards. There is approximately 640 of those boards around the state.

What the Commission found was that as a group, they pay too high of fees, and as a group, they enjoy too low of returns. And so by consolidating the investment functionality of those funds into two funds, fees could be reduced and hopefully returns improved.

So, in September, the task force issued a report to that effect, and as we have discussed in the past, Senate Bill 1300 was introduced into the General Assembly and passed into law. All of this was reported to you at your last meeting. Since your last meeting on December 18, Governor Pritzker signed Senate Bill 1300 into law becoming Public Act 101-0610.

This is all good public policy, and as a reminder, the role of the Finance Authority in this initiative is critical because what the Finance Authority has been charged to do by the Legislature is to provide $7.5 million dollars each to the two new investment funds in operating capital that they may use to operate for the first 30 months through the transition period and then pay the Authority back upon completion of the transition period. If the IFA didn't provide that critical funding, it is hard to identify where that funding would have come from.

So now that the law has passed, the effective date of the legislation was January 31 -- excuse me -- January 1. Under the statute, the Governor has until January 31 to appoint the nine members -- nine members each to the new boards. These nine members will serve for one year as interim boards in that at the end of the year, in this coming December, the two boards will need to hold elections to elect permanent boards to their -- permanent boards to each of the two boards.

The Authority has begun discussions with the Governor's office about how to structure the financing in advance of these boards being appointed. For the record, sitting here today on whatever today's date is, the Governor hasn't appointed those boards, but in anticipation of those boards being appointed, Director Meister, legal counsel, has begun drafting intergovernmental agreements to provide that funding, and the goal -- the hope is to be able to come back to you on February 11th for approval of that intergovernmental agreement so they may be transmitted to the two new boards and funding be provided at their first convenience when they're ready to accept the funding.

We made clear to the Governor's office, to the respective stakeholder groups, that besides providing the funding, the IFA remains ready to be a resource and provide any assistance that we can to ensure the success of these two new initiatives. We have that responsibility as a lender, as a prudent lender. We also have that responsibility in the statutory mandate of the IFA. And so that's the approach that we're taking.

Director Meister is involved with this on a daily basis, and the final point I would make is that this is really a great initiative and it is a real pleasure to be involved in something when we're on the side of the angels. I know Chris is excited about it. I'm excited about it. I hope the Authority is excited about it as well.

With that, I would be glad to answer any questions.

MEMBER JURACEK: For the audience who doesn't know, I'm the Mayor of Mt. Prospect and a staunch proponent of this fantastic activity that took us way too long to achieve in the state of Illinois. Brad Cole, who is the Executive Director of the Illinois Municipal League and who led the effort in Springfield on behalf of all of our municipalities to get this done, he is an appointed member of each of the two boards, so police and fire; and in a meeting that the Illinois Municipal League held with member councils of government representative, which included me, he had reported that the two interim boards have been appointed. He's on each board, and there's a joint meeting this week of those interim boards to sort of make sure that they're marching on the same page, and Brad's job is to make sure that the boards don't go off in opposite directions.

But I believe that the joint meeting, which is probably a generic stage-setting type of meeting will take place this week, and then they're each going to go off on their merry way, and my understanding is that they each have to appoint a executive director by March 1st for each of the two boards.

MR. ATWOOD: I think that's correct.

MEMBER JURACEK: Once that's done, at least there will be a point person for the IFA to deal with on the ground, but they have a huge task before them. They have to establish themselves.

They are not an agency of the State so they are similar to the Illinois Municipal Retirement Fund, which is not a state agency. It is basically almost like a co-op of all the municipal members. They need to find office space, they need to pay the executive director, they need to hire investment consultants, they need to figure out a transition plan for how each of us as municipalities -- how our pension funds are going to be transitioned into the larger.

So there's a huge amount of work that is going to involve a need to draw definitely on this capital infusion to pay these start-up activities. But the benefits are such that I have no doubt that the $7.5 million each is going to be paid back relatively quickly.

MR. ATWOOD: I think it is a pretty good credit.

MEMBER GOETZ: Would that be paid out of earnings?

MR. ATWOOD: It will be paid out of -- in a public pension fund, you know, the assets of the public pension systems have to be used for two purposes: One is to pay benefits and the other is to pay the operation of the fund. So, yeah, the money would be paid out of the corpus of the new pension funds. If you do simple math, it is $14 billion and they earn about 3 or 4 percent cash yield. There's plenty of cash flow to pay back the $7.5 million.

MEMBER GOETZ: Okay. Will there always be two funds -- two boards?

MR. ATWOOD: I mean, that's what the statute currently is. Until they change the statute, there is. But just as a process of putting this legislation together, clearly the stakeholders groups --

MEMBER GOETZ: Yeah, I can see why.

MEMBER JURACEK: Historically, there have been two separate funds. You're dealing with a police union and a fire union so I don't anticipate --

MEMBER GOETZ: I know. I know. Bill and I used to work together at the State Board of Investment so we know all about --

MEMBER JURACEK: I don't anticipate them any joining any time soon.

MR. MEISTER: Bill, just something that I think may have been mentioned in past discussions on this topic, the First Responder Local Pension Fund consolidation, but I think it is worth repeating because I think it goes to both the timeline and why Senate Bill 1300 got introduced in the veto session rather than a year ago.

Can you remind everybody, if it hasn't come up, this report that the firefighter's union had issued and sort of the highlights --

MR. ATWOOD: Well, the highlights of the report that you are referring to, and forgive me for not having the exact report at my fingertips, was that I believe prior to the formation of the task force, the firefighter's union, the Associated Firefighters of Illinois did their own study that showed that if over the last ten years they had received a rate of the return on their assets consistent with the state funds instead of being approximately 55 percent funded, they would be approximately 70 percent funded. That's a pretty material number.

I was reading this just yesterday. I was looking over the report from the task force, and in a given 5-to-10-year period, the average police and fire retirement fund returned 200 to 300 basis points less than the state plans and so you compound that 250 basis points year after year after year and it's a pretty profound loss.

The other statistic that people throw out, it is just an easy one to grasp, is a million dollars a day of loss -- of opportunity loss.

Any other questions?

(No response.)

CHAIRMAN ANDERBERG: Thank you, Bill.

Financial reports.

MS. GRANDA: Good morning, everyone. The Financial Statements and the Treasury report can be found in your Board book under the Financial Statements Tab.

The financial information for December 31, 2019, is as follows:

In December, the Authority recorded operating revenue of $566,000, which is higher than the budgeted amount of $317,000.

This brings our total annual operating revenue to $2 million, which is $138,000 higher than the budget.

Our nonoperating revenue for December was $97,000, which brings our total annual nonoperating revenue to $512,000, which is $17,000 higher than the budget.

In December, the Authority reported operating expenses of $409,000, which was higher than the monthly budgeted amount of $400,000. This was mostly attributable to information technology expenditures relating to software license renewals for the telephone systems and software upgrades for the accounting, human resource, and payroll systems.

Our total annual expenses are at $2.1 million. They are $337,000 or 14.1 percent lower than budget, which was mostly driven by below budget spending on employee-related expenses and professional services.

Our total net income for the month of December was $256,000, which was due to higher than expected closing fees.

Our total annual net income is $492,000. The major driver of the annual positive bottom line continues to be the level of overall spending at 14.1 percent below budget and higher than expected closing fees.

The Authority General Operating Fund continues to maintain a strong balance sheet with total net position of $60.1 million and total assets of $16.4 million.

The financial information for the other funds are as follows:

Our year-to-date lowering payments

under the fire truck and ambulance revolving loan funds were $1.9 million and $280,000 respectively.

Our year-to-date loans issued under the fire truck were $6 million for 20 loans and under the Ambulance Revolving Loan Fund $2.1 million for 11 loans.

The net positions for the fire truck and the ambulance is $24.4 million and $4.4 million respectively.

There were no material transactions under the non-major funds category. These funds continue to have a strong balance sheet. The Agricultural Loan Guaranteed Funds net position for these two funds are $18.9 million. The Industrial Revenue Bond Insurance net fund position is at $12.1 million, and the Illinois Housing Partnership Fund net position is $4.5 million.

The Metro East Police District Commission is reported as an agency fiduciary fund, which has total assets of $4000 in the custody of the Authority. The Metro East Police District Act was repealed on December 31, 2019, as provided for in the enabling legislation. The Authority is currently working with the Commission to properly dissolve the Metro East Police District Fund and return the remaining assets.

The other State of Illinois debt fund financial information will be provided to you next month.

Now, moving on to Treasury. In December, the Authority issued five bonds in an aggregate amount of $334 million, of which $93 million is in new monies.

Our total bonds outstanding as of the December 31, 2019, is $24.8 billion.

As a reminder, the PACE monthly treasury report is in your Board books under the Financial Statements Tab, after the Financial Statements and the Treasury Reports.

Moving on to audit, as we checked a few minutes ago, the financial audit for fiscal year 2019 has been released so I am going to provide three main points for the audit.

Point 1, the auditors stated that the financial statements of the Illinois Finance Authority as of end of the year ended June 30, 2019, are very fairly stated in all material respects. And that could be found in -- I believe it is in your -- you have a copy of the report, and that would be on the Summary Report Digest.

The Auditor General Special Assistant Auditors RSM US LLP have expressed an unmodified opinion on the Authority's basic financial statements, and that could be found on page 6 of the audit report.

Second, just to note, there is no findings in the fiscal year 2019 financial audit.

And the last point, it was a significant victory for the Authority as the Auditor General allowed the Authority to include a transmittal letter between the cover of the audit. That can be found on pages 2 -- page 5.

The Authority as Director Meister mentioned will be scheduling an audit plus committee meeting just to discuss and recommend the accepting of the fiscal year 2019 financial audit.

The two-year compliance examination for the fiscal year 2018 and fiscal year 2019 are on track and a draft of that compliance report has been provided to the external auditors and is currently under their review.

As far as the internal audits for

fiscal year 2020, they are on track and at this time, there is nothing to report.

Is there any questions?

MEMBER NAVA: Great job on the audit.

CHAIRMAN ANDERBERG: Thank you, Six.

MR. FLETCHER: Mr. Chairman, members, I wanted to bring your attention to the Monthly PACE Bond Issuance Summary Report, which follows the Treasury Reports in your Board book. It looks like this. It begins with a cover letter from myself, and there is a second page here.

We first presented this last month subsequent to the closing of the first PACE bond issue. We have now closed our second PACE bond issue in the month of December, which is why it is now being reported in January.

As summarized on page 2 of the report, we issued the PACE Bonds on behalf of Hotel Mannheim Chicago LLC in an amount of $19,990,000. The Authority issued the PACE bonds pursuant to the Bond Resolution you adopted on September 10, last year, 2019, which approved SFA Partners as a capital provider. They are affiliated with Structured Finance.

The PACE bond proceeds for this project funded the acquisition and installation of eligible energy efficiency and water use improvement projects for Hyatt Place Chicago O'Hare Airport Hotel, the LaQuinta Inn and Suites Hotel, the Best Western Premier Hotel and the R&D Restaurant, all of which are located in Rosemont, which was the sponsoring governmental entity here. These hotels and the restaurant are cited just southeast and adjacent to Allstate Arena if you're familiar with the area.

The Hyatt Place is currently operational. So that part of the transaction was a refinancing if you will, while the other facilities are rehabilitation projects of otherwise closed and dormant properties. The PACE bond proceeds will fund 40 full-time equivalent construction jobs over the next year.

Importantly, you will note the estimates provided about the energy audit, which are summarized on the bottom of page 2, these improvements will save the property owner approximately $270,000 of energy costs annually while additionally conserving approximately

134,000 gallons of water each year as well.

Our fee for issuing these PACE bonds is listed on top of page 3 which, of course, is confidential, but I wanted to bring it to your attention.

If I may be frank, in less than 60 days, we've issued more PACE bonds than most states have done in five years. We are being very warmly received by the market, and we're currently in documentation for a deal that will finalize between $10- and $15 million, which will then put us past our budget that was approved by yourselves in July.

We first adopted a resolution at this body on February 15, 2018. That is less than two years. Our counterparts that got involved with PACE at the same time, namely Virginia and New York, are still playing catchup with us.

So I wanted to thank you for your leadership in this, and this will be, provided we close PACE bonds, a monthly part of Six's financials and treasury reports.

Are there any questions?

MEMBER JURACEK: Just a quick question. Are these available for new construction or just rehab?

MR. FLETCHER: Yes. That's correct.

MEMBER JURACEK: New construction?

MR. FLETCHER: Yes.

CHAIRMAN ANDERBERG: I would like to request a motion to accept the financial reports. Is there such a motion?

MEMBER FUENTES: So moved.

MEMBER McCOY: Second.

CHAIRMAN ANDERBERG: I have a motion and second.

All those in favor?

(A chorus of ayes.)

Opposed?

(No response.)

The ayes have it.

Procurement.

MR. HOLLOWAY: The contracts listed on page 1 of the Procurement Report are to support the Authority operations. Pages 2 and 3 are the expiring contracts through 2020.

As I mentioned at the December Board meeting, we continue to reach out to the BEP office to discuss the Authority's historical minority contract spend and developing a minority vendor participation plan going forward. I would update the Board as soon as we progress with BEP.

Thank you.

CHAIRMAN ANDERBERG: Thank you.

Does anyone wish to make any additions, edits, or corrections to the minutes from December 10?

(No response.)

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

MEMBER GOETZ: So moved.

MEMBER POOLE: Second.

CHAIRMAN ANDERBERG: We have a motion and a second.

All those in favor?

(A chorus of ayes.)

Opposed?

(No response.)

The ayes have it.

Is there any other business to come before the members today?

(No response.)

Hearing none, I would like to request a motion to excuse the absences of members unable to participate today.

Is there such a motion?

MEMBER McCOY: So moved.

MEMBER GOETZ: Second.

CHAIRMAN ANDERBERG: A motion and a second.

All those in favor?

(A chorus of ayes.)

Opposed?

(No response.)

The ayes have it.

Is there any matter for discussion in closed session today?

(No response.)

Good. Hearing none, the next regularly scheduled meeting will be February 11.

I would like to request a motion to adjourn. Is there such a motion?

MEMBER GOETZ: So moved.

MEMBER McCOY: Second.

CHAIRMAN ANDERBERG: A motion and second.

All those in favor?

(A chorus of ayes.)

Opposed?

(No response.)

The ayes have it.

Thank you, everybody.

(Off the record at 10:38 a.m.)

(WHEREUPON, which were all the proceedings had in the above entitled cause.)

REPORTER CERTIFICATION

I, JO ANN LOSOYA, a Certified Shorthand Reporter of the State of Illinois, do hereby certify that I reported in shorthand the proceedings had at the meeting aforesaid, and that the foregoing is a true, complete and correct transcript of the proceedings of said meeting as appears from my stenographic notes so taken and transcribed under my personal direction.

IN WITNESS WHEREOF, I do hereunto set my hand at Chicago, Illinois, this February 5, 2020.

Jo Ann Losoya

JO ANN LOSOYA
C.S.R. No. 084-002437

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