

Date: February 25, 2021

To: William Hobert, Chair
Michael W. Goetz, Vice Chair
Peter Amaro
Drew L. Beres
James J. Fuentes
Mayor Arlene A. Juracek
Roxanne Nava
George Obernagel

Terrence M. O'Brien
Roger Poole
José Restituyo
Eduardo Tobon
Randal Wexler
Jeffrey Wright
Bradley A. Zeller

From: Chris Meister, Executive Director

Subject: ***Resolution Authorizing the Creation of a Local Government Energy Loan Program Related to Municipal Natural Gas Purchases; and Related Matters***

Background

On February 16, 2021, Governor Pritzker issued a Gubernatorial Disaster Proclamation for all 102 Illinois counties due to the dangerous winter storm of February 13-14, 2021. At that time, Governor Pritzker called on all State organizations “to use all resources at our disposal to keep our communities safe amid dangerous and ongoing winter weather.” In addition to Illinois, the dangerous winter storm impacted Texas, Oklahoma and Kansas as well as other parts of the United States with extreme cold. Unprecedented increased energy demand and natural gas supply constraints due to the dangerous winter storm caused large price spikes for wholesale natural gas. For the reasons set forth in today’s testimony by Jim Zolnieriek of the Illinois Commerce Commission; David Schryver of the American Public Gas Association; Heather Viele of the Interstate Municipal Gas Agency; and Staci Wilson of the Illinois Public Energy Agency, Illinois natural gas utilities operated by cities, towns, and villages (each a “Municipality”) and their customers were adversely exposed to the dramatic price spikes despite measures taken to mitigate both financial and weather-related risks.

Responding to Governor Pritzker’s call to action, the Illinois Finance Authority (the “Authority”) immediately went to work to identify resources. The above-captioned resolution seeks to create a low-interest \$15 million loan program for Illinois Municipalities to support a manageable payment program for the record-high natural gas costs. The Authority does not currently have such a program but seeks to create one using existing statutory powers and the Authority’s locally held funds.

Statutory Powers and the Authority’s Financial Position

Sections 820-5 through 820-60 of the Illinois Finance Authority Act provide the Authority with the power to purchase from time to time pursuant to negotiated sale or to otherwise acquire from time to time any local government securities issued by a unit of local government.

Section 17(b) of the Illinois Local Government Debt Reform Act provides governmental units with the power to issue debt certificates the proceeds of which may be used to finance their purchases of natural gas and related costs.

Accordingly, a Municipality may issue debt certificates and the Authority may purchase such debt certificates to finance a loan to the Municipality in order to finance the purchase of natural gas.

The Authority identified \$15 million of its locally held funds that it could deploy as loans to adversely impacted Municipalities to purchase natural gas.

Evaluation Framework

In financing projects, the Authority has three broad statutory public purposes:

- (1) Promote a vigorous growing Illinois economy and avoid involuntary unemployment for Illinois residents;
- (2) Reduce the cost of indebtedness to Illinois taxpayers and residents; and
- (3) Otherwise enhance the quality of life in Illinois.

The Authority evaluates new proposed programs through a four-part test: (i) is the proposed program within one or more of the above public purposes; (ii) has the risk profile of the proposed program been appropriately articulated to the Members; (iii) what is the net revenue impact to the Authority; and (iv) will the new proposed program compete against existing private, non-profit or other public competitors?

The primary security for the contemplated debt certificates will be a general obligation pledge of the respective Municipality. Additional security will be provided to the Authority through a State intercept under Section 825-20 of the Illinois Finance Authority Act.

Proposed loan terms include 1.00% annual simple interest – supported by internal analysis – which meets the Governor’s call for a flexible low-interest loan program. Furthermore, each loan will have a not-to-exceed maturity of June 30, 2024 with no penalty for early payment or payoff.

Thanks to Authority partnership with the Interstate Municipal Gas Agency (“IMGA”) and the Illinois Public Energy Agency (“IPEA”), the Authority is in a position to “know our borrower” at hit the three “c’s” of credit analysis: (i) character, (ii) collateral, and (iii) capacity. This represents a material percentage of the universe of potential borrowers. The Authority is also fine tuning the application and template loan documents for the potential Municipalities, including ongoing consultation with bond counsel regarding its form of taxable opinion.

RESOLUTION 2021-_____ - _____

RESOLUTION Authorizing the Creation of a Local Government Energy Loan Program related to Municipal Natural Gas Purchases; and related matters

WHEREAS, the Illinois Finance Authority (the “*Authority*”), a body politic and corporate, has been created by the Illinois Finance Authority Act, 20 ILCS 3501/801-1 et seq., as supplemented and amended (the “*Act*”); and

WHEREAS, pursuant to the Act, including particularly Sections 820-5 through 820-60 of the Act, the Authority has the power to purchase from time to time pursuant to negotiated sale or to otherwise acquire from time to time any local government securities issued by a unit of local government, as defined in Article VII, Section 1 of the 1970 State Constitution, upon such terms and conditions as the Authority may prescribe; and

WHEREAS, on February 16, 2021, the Governor of the State of Illinois (the “*State*”), declared all counties in the State as disaster areas pursuant to the provisions of Section 7 of the Illinois Emergency Management Agency Act, as amended, because of extreme winter weather in the State and other parts of the United States, resulting in increased energy demand and natural gas supply constraints and large price spikes for wholesale natural gas; and

WHEREAS, municipalities which operate utilities in the State (the “*Municipalities*” and, individually a “*Municipality*”) are experiencing significant increased costs in their purchases of natural gas as a result of unprecedented demand and such price spikes and the Authority desires to provide economic assistance to the Municipalities; and

WHEREAS, pursuant to its powers, the Authority proposes to establish its Local Government Energy Loan Program (the “*Program*”) as part of its Illinois Local Government Financing Assistance Program to facilitate the purchasing of debt certificates issued by one or more Municipalities pursuant to Section 17(b) of the Local Government Debt Reform Act of the State of Illinois, as amended, the proceeds of which debt certificates will be used by one or more Municipalities to finance their purchases of natural gas and related costs (the “*Debt Certificates*”); and

WHEREAS, it is now necessary, desirable and in the best interests of the Authority to authorize the Program and to authorize either its Chair or its Vice Chair together with either its Executive Director or its General Counsel (or any person duly appointed by the Members of the Authority to serve in such offices on an interim basis or otherwise authorized to act as provided by resolutions of the Authority) (the “*Designated Officials*”) and the staff of the Authority to take such actions as they determine to be necessary or desirable to establish the Program, all in accordance with the limitations set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE ILLINOIS FINANCE AUTHORITY, AS FOLLOWS:

Section 1. Declaration of Findings. The Authority has found that:

(a) The public purposes for which the Debt Certificates will be issued will have a significant impact on the economy, environment, health and safety of the Municipalities;

(b) The public purposes for which the Debt Certificates will be issued will provide reinforcement for other investments by the Municipalities; and

(c) The purchase of the Debt Certificates by the Authority will provide certain economic benefits to the Municipalities.

Section 2. Establishment of Program; Authorization of Purchases. The Program is hereby authorized and approved. There is hereby authorized the purchase by the Authority in an aggregate principal amount of not to exceed \$15,000,000 of Debt Certificates, which Debt Certificates shall mature, bear interest, be subject to redemption prior to maturity, all as shall be determined by the Designated Officials accepting the Debt Certificates for purchase to be in the best interest of the Authority, subject to the other terms and provisions of this Resolution, provided, however, that each Debt Certificate shall bear interest at the rate of 1.0% per annum, shall mature no later than June 30, 2024 and be accompanied by an opinion of nationally recognized bond counsel that the Debt Certificates are valid and legally binding upon the related Municipality.

Section 2. Program Documentation. The Authority hereby delegates to the Designated Officials the authority to approve the form and provisions of any necessary agreement, contract, document or other instrument related to a purchase of a Debt Certificate on behalf of the Authority, including, but not limited to, a form of application for participation in the Program by any Municipality; the Designated Officials be, and each of them hereby is, authorized, empowered and directed to execute and deliver, and the Secretary or any Assistant Secretary of the Authority be and each of them hereby is, authorized, empowered and directed to attest and to affix the official seal of the Authority to, such agreement, contract, document or other instrument in the name, for and on behalf of the Authority, and thereupon to cause such agreement, contract, document or other instrument to be delivered, each such agreement, contract, document or other instrument to be in the form approved by the Designated Officials executing the same, the execution thereof to constitute conclusive evidence of the approval of such Designated Officials and the Authority of the form, terms and provisions thereof. The Designated Officials and all other officers of the Authority, whether heretofore or hereafter taken or done, are hereby authorized to execute all documents and certificates and to take all such actions as may be necessary in connection with the Program and the purchase of any Debt Certificate and to carry out and comply with the terms of this Resolution, including, but not limited to the liquidation of available investments held by the Authority to make available any necessary funds for any purchase of Debt Certificates pursuant to the Program.

Section 3. Severability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such

section, paragraph or provision shall not affect any of the remaining sections, paragraphs and provisions of this Resolution.

Section 4. Conflicting Proceedings Superseded; Effective Date. All resolutions or orders, or parts thereof, heretofore enacted, adopted or entered, in conflict with the provisions of this Resolution shall be and the same are hereby superseded to the extent of such conflict, and this Resolution shall be in effect immediately upon its passage.

Section 5. Incorporation of Preambles. The preambles to this Resolution are incorporated by reference as part of this Resolution.

Approved and effective this 25th day of February 2021 by roll call vote as follows:

Ayes:

Nays:

Abstain:

Absent:

ILLINOIS FINANCE AUTHORITY

By _____
Executive Director

ATTEST:

Assistant Secretary

[SEAL]