

Date: December 10, 2019

To: Eric Anderberg, Chairman  
Michael W. Goetz, Vice Chairman  
James J. Fuentes  
William Hobert  
Mayor Arlene A. Juracek  
Lerry Knox  
Lyle McCoy  
Bradley A. Zeller

Roxanne Nava  
George Obernagel  
Terrence M. O'Brien  
Roger Poole  
Beth Smoots  
Randal Wexler  
Jeffrey Wright

From: Christopher B. Meister, Executive Director

Subject: *Message from the Executive Director*

Dear Member of the Authority:

***Annual Appointment of the Executive Director***

Since 2009, the Authority has been considering the appointment of its Executive Director each year at its December meeting. With respect to this matter, the Illinois Finance Authority Act states:

From nominations received from the Governor, the members of the Authority shall appoint an Executive Director who shall be a person knowledgeable in the areas of financial markets and instruments, to hold office for a one-year term. The Executive Director shall be the chief administrative and operational officer of the Authority and shall direct and supervise its administrative affairs and general management and perform such other duties as may be prescribed from time to time by the members and shall receive compensation fixed by the Authority. The Executive Director or any committee of members may carry out such responsibilities of the members as the members by resolution may delegate.

20 ILCS 3501/801-15

Since 2016, matters relating to the selection, evaluation and compensation of the Executive Director have been the jurisdiction of the Authority's Executive Committee.

We can all take pride in the impact of our work on behalf of the people of Illinois since last December. Our successes, demonstrated by an unwavering commitment to the issuance of federally tax-exempt conduit bonds (or private activity bonds) and the launch of the ***Transformation Initiative***, would not have been possible without engaged and effective leadership by Members of the Authority ("Members") and the hard work of our professional staff team. I thank each of the Members and all of my colleagues on the Authority team for their dedication and support over the past year. Accordingly, I humbly ask the Governor, our Chairman and all of the Members for the opportunity to hold office as the Authority's Executive Director for another one-year term.



### ***First Property Assessed Clean Energy (“PACE”) Bond Issued***

Last month, the Authority successfully issued the first Property Assessed Clean Energy Bond in Illinois history. Proceeds of the \$21.25 million PACE Bond issued on November 8, 2019 will fund energy efficiency and water use improvements in connection with a gut rehab of the 5 upper floors of 208 S. LaSalle Street in Chicago to become the new Reserve Hotel. The PACE project will support 200 construction jobs and save an estimated \$3 million in operating expenses over approximately 25 years once construction is complete. Authority staff looks at PACE as a strong asset class capable of supporting a great deal of economic and sustainable development and looks forward to seeing it deployed across a variety of property and project types.

### ***Diverse Agenda***

Staff is also proud to present for consideration bond resolutions for qualified borrowers seeking to benefit from the tax-exempt financing market and the Authority’s continual excellent customer service, including ***Roosevelt University, The University of Chicago Medical Center, Notre Dame College Prep, and Community High School District Number 99, DuPage County.*** District 99 consists of two high schools serving the communities of Downers Grove and Woodridge as well as portions of Oak Brook, Lombard, Darien, Lisle, Westmont, and Bolingbrook.

### ***Talent Retention, Development, and Acquisition Framework***

Consistent with the principles of the public-sector *Rutan* framework, the Authority seeks to continue retention and development of talent that matches the organizational needs of our ***Transformation Initiative.*** Over the past twelve months, our revised recruitment and hiring process had led to the addition of eight skilled and diverse staff members of the Authority’s team – the largest cohort of new employees hired since the Authority’s creation in January 2004 – bringing the Authority’s staff size to 24 individuals. As highlighted at the November 2019 meeting, this new cohort allows the Authority to strengthen its segregation of duties and provide both capacity redundancy and a talent succession framework. Critical to this talent strategy is the use of Personal Services Contracts (“PSC”). The Members will receive a status report on the use and extension of certain PSCs.

### ***Authority Accomplishments of the Past Twelve Months***

Calendar Year 2019 has been a productive and successful year for the Authority. We are proud to look back and highlight a few of the Authority’s many accomplishments:

1. ***PACE.*** The successful creation of the first new Authority product with the potential to be an ongoing asset class on the scale of federally tax-exempt conduit bonds: PACE. After approximately a decade of gestation in the General Assembly and three major pieces of legislation (2017, 2018 and most recently, ***Public Act 101-0169***, the PACE Act technical rewrite), the Authority also successfully closed the first PACE bond financing in Illinois in collaboration with the City of Chicago. To date, PACE is the most significant revenue and impact result of the ***Transformation Initiative.***

2. ***Water Infrastructure Finance.*** Successfully priced and closed the ***State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2019 (Green Bonds)*** (State Revolving Fund or “SRF”) on behalf of the Authority and the Illinois Environmental Protection Agency. Consistent with Governor Pritzker’s Executive Order No. 6, this AAA-rated bond issue

(S&PGlobal; Fitch) was the State of Illinois' inaugural Green Bond issue. During pricing, an anchor order from a Green Bond investor allowed the transaction to hold its pricing levels despite a negative tone in the fixed income markets. The Authority also played a key role in the City of Joliet's decision to apply for a United States Environmental Protection Agency ("USEPA") **Water Infrastructure Finance and Innovation Act ("WIFIA")** loan. WIFIA loans accelerate investment in our nation's water infrastructure by providing long-term, low-cost supplemental loans for regionally and nationally significant projects. USEPA subsequently invited Joliet to apply to WIFIA to finance Joliet's Alternative Water Source Program to access a new source for drinking water to replace the City's reliance on a deep sandstone aquifer. Joliet was the first Illinois borrower to be invited by USEPA to apply for a WIFIA loan. Like the USEPA SRF tool, WIFIA will save local tax and rate payers money by lowering the cost of capital for essential water infrastructure projects.

3. **Returning Private Sector Borrowers.** Welcomed back two shareholder-own corporate borrowers, after over a decade, **Waste Management, Inc.**, the leading waste management environmental service company in North America, and **American Water Capital Corp.**, the largest and most geographically diverse publicly traded water and wastewater utility company in the United States. The Authority will build on these renewed partnerships to bring future bond issues to finance projects under the Solid Waste Disposal Facilities Bond Program and Exempt Facilities Bonds. We look forward to maintaining the Authority's traditional national leadership position in issuing tax-exempt conduit bonds for taxpaying borrowers, including infrastructure and environmental projects, family-owned manufacturing facilities, and first-time farmers.

4. **Employee-Employer Value Proposition.** Implemented our new **Talent Retention, Development, and Acquisition Framework** referenced earlier in this message.

5. **Ended Fiscal Year 2019 in the Black.** Effectively managed operating expenses for Fiscal Year 2019, projected at the start of the fiscal year in July 2018 to exceed total annual revenues. The Authority ended fiscal year 2019 with net income of \$6 thousand despite the approved budget forecasting a net loss due to general uncertainty resulting from the impact of the 2017 federal tax law. Positive net income was achieved through careful management and monitoring of expenditures (\$388 thousand, or 7.8% lower than budget) and through higher than anticipated revenues (\$676 thousand, or 17.4% higher than budget).

Respectfully,



---

Christopher B. Meister  
Executive Director