

1 ILLINOIS FINANCE AUTHORITY
2 REGULAR MEETING OF THE MEMBERS
3 February 8, 2018 at 9:52 a.m.

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5 REPORT OF PROCEEDINGS had at the Regular
6 Meeting of the Illinois Finance Authority on
7 February 8, 2018, at the hour of 9:30 a.m., pursuant
8 to notice, at 160 North LaSalle Street, Suite S-1000,
9 Chicago, Illinois.

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1 APPEARANCES:

- 2 MR. ERIC ANDERBERG, Chairman
- MR. BRADLEY A. ZELLER
- 3 MR. LYLE McCOY
- MS. ARLENE JURACEK
- 4 MR. MICHAEL W. GOETZ
- MS. BETH SMOOTS
- 5 MS. GILA BRONNER (via audio conference.)
- MR. ROBERT HORNE

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ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

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- MR. RICH FRAMPTON, Vice President
- 8 MS. PAMELA LENANE, Vice President
- MR. BRAD FLETCHER, IFA Assistant Vice-President
- 9 MS. ELIZABETH WEBER, IFA General Counsel
- MS. XIMENA GRANDA, Controller
- 10 MR. CHRISTOPHER B. MEISTER, Executive Director
- MR. TERRY FRANZEN, Procurement
- 11 MR. STANLEY LUBOFF, IFA Vice President, Loans and
Guarantees
- 12 MR. RYAN OECHSLER, IFA Associate General Counsel

13 GUESTS

- 14 MS. DANIELLE GALLET, Metropolitan Planning Council
- 15 MR. KEVIN BRYANT, Illinois Environmental Protection
Agency (via audio conference.)

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- MR. R. RAY KLJAJIC, American Public Infrastructure,
17 LLC

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1 CHAIRMAN ANDERBERG: I'd like to call the
2 meeting to order. Will the Assistant Secretary
3 please call the roll?

4 FLETCHER: Certainly.

5 The time is 9:52 a.m. I will call the
6 roll of Members physically present in the room first.

7 Mr. Horne?

8 HORNE: Yes.

9 FLETCHER: Mr. Goetz?

10 GOETZ: Here.

11 FLETCHER: Ms. Juracek?

12 JURACEK: Here.

13 FLETCHER: Mr. McCoy?

14 MCCOY: Here.

15 FLETCHER: Ms. Smoots?

16 SMOOTS: Here.

17 FLETCHER: Mr. Zeller?

18 ZELLER: Here.

19 FLETCHER: And Mr. Chairman?

20 CHAIRMAN ANDERBERG: Here.

21 FLETCHER: Mr. Chairman, a quorum of Members
22 physically present in the room has not been
23 constituted at this time. However, I'd like to ask
24 if any Members would like to participate in

1 discussion via audio conference.

2 BRONNER: This is Gila Bronner. I request to
3 participate by audio conference.

4 FLETCHER: Okay. Mr. Chairman, Member Bronner
5 can participate going forward.

6 CHAIRMAN ANDERBERG: Okay. Is there a motion
7 to approve this request pursuant to the bylaws and
8 policies of the Authority?

9 GOETZ: No, we can't do that.

10 FLETCHER: Can't do that.

11 CHAIRMAN ANDERBERG: Sorry. This is really
12 messed up.

13 SMOOTS: We're all just listening today.

14 CHAIRMAN ANDERBERG: Listening and questions.

15 FLETCHER: So at this time, due to lack of
16 quorum, we cannot approve the agenda.

17 Moving on to the next item, would be
18 Chairman's remarks.

19 CHAIRMAN ANDERBERG: Okay. Happy New Year.

20 It's short of a quorum, but we
21 survived the new tax law, and -- but Chris and his
22 staff are working on some diversification. We're
23 going to hear a little bit of that today.

24 Sorry this has happened, but probably

1 in the next -- probably the next two weeks we'll have
2 another meeting to follow up with this. So we'll try
3 to run through this and get the business done and --
4 Mr. Meister?

5 MEISTER: Thanks, Mr. Chairman.

6 Again, I just wanted to thank all of
7 the Members of the Authority who were able to make
8 it. A number of you have traveled some distance.

9 The cancelations this morning due to
10 work and travel engagements were wholly unexpected
11 and took us by surprise, but we do appreciate
12 everyone's volunteer participation and engagement.

13 And as Chairman Horne and Chairman
14 Zeller will indicate, with respect to the Projects
15 and Resolutions, these were covered in detail at the
16 earlier Joint Meeting, and so I would suggest that
17 those not be presented again.

18 However, the Open Meetings Act does
19 provide a public venue to inform the Members of the
20 Authority and the general public as to financial
21 issues and organizational items, and so I would
22 suggest that we proceed with that.

23 There will be Minutes despite not
24 having a quorum, and then we will reconstitute at a

1 later time, as schedules permit, to approve the
2 projects.

3 CHAIRMAN ANDERBERG: Okay. We don't consider
4 the Minutes, or just go ahead and --

5 MEISTER: No.

6 CHAIRMAN ANDERBERG: Just go ahead and --

7 FLETCHER: So the next agenda item would be
8 normally Consideration of the Minutes. Due to a lack
9 of quorum, we cannot approve the Minutes. We can ask
10 at this time, does anyone wish to make any additions,
11 edits, or corrections to the Minutes from three
12 meetings: November 9th, November 30th, and
13 December 14th, 2017.

14 (No response.)

15 FLETCHER: Okay. Hearing none, these will be
16 for consideration in our next meeting of the Board.

17 Moving forward, next agenda item would
18 be Presentation and Consideration of Financial
19 Reports. Again, due to lack quorum we will not be
20 voting after Six's presentation.

21 CHAIRMAN ANDERBERG: Ms. Granda, if you want to
22 present, please.

23 GRANDA: Good morning, everyone.

24 Due to the short time from January 1st

1 to the printing of the of Board book, the Financial
2 Statements along with the Financial Memo and all of
3 the Treasury Reports are in your manila folders.

4 The last couple of months have been
5 very busy for the Authority. Again, this was due to
6 the circumstances of the tax legislation and the
7 volume of work. But the good news is as of
8 January 31st, 2018, the Authority has exceeded the
9 12-month 2018 budget within the seven months.

10 The Fiscal Year 2018 Budget included
11 only 15,000 in net income, and as of January 31st,
12 2018, the Authority as at \$1.8 million in net income.
13 So that's great news.

14 The Fiscal Year 2019 Budget is going
15 to be presented in the June 14, 2018, Board Meeting.
16 This is going to be a change in practice from the
17 previous years.

18 Now, moving on to the Financial
19 Highlights. The total annual revenue equals \$3.6
20 million and are \$1.3 million or 55.3 percent higher
21 than budget. Again, this is due to a higher closing
22 and administrative fees in the month of December.

23 In January, the Authority generated
24 \$215,000 in closing fees, which is \$26,000 lower than

1 the monthly budget of \$241,000.

2 Our total annual expenses equals \$1.8
3 million, and are \$478,000 or 20.8 percent below
4 budget. This is mostly driven by a reduction in
5 spending on professional services and in
6 employee-related expenses.

7 In January, the Authority recorded
8 operating expenses of \$350,000, which was higher by
9 \$41,000 from the budgeted amount of \$309,000. The
10 variance is due to a slight increase in the
11 professional services.

12 Our total monthly net loss for January
13 is \$23,000, which was driven by lower than expected
14 closing fees.

15 Our total annual net income, as
16 mentioned before, is \$1.8 million. Again, the major
17 driver of the annual positive bottom line continues
18 to be the level of overall spending at 20.8 percent
19 below budget as well as an increase in closing fees
20 and administrative fees, mainly due in the month of
21 December.

22 Our General Fund continues to maintain
23 a strong balance sheet with a total of net position
24 of \$58.9 million and unrestricted cash and

1 investments of \$43.6 million.

2 Moving on to some HR information, the
3 Authority has taken some steps to increase our head
4 count. The Authority has hired Stan Luboff. He is
5 our Vice President of Loans and Guarantees.

6 MEISTER: Stan, could you stand up?

7 LUBOFF: You mean, am I capable of it?

8 MEISTER: I -- absolutely, you are.

9 GRANDA: We also have hired Kathleen Lydon.
10 She is our Federal Policy Director; although, she's
11 in our -- in the office, I guess in Florida.

12 Janella Kaczanko, she is our human
13 resources manager. And last but not least, Ryan
14 Oechsler, he is our Associate General Counsel.

15 Moving on to some audit. The audit
16 chair, Bronner, participated in a pre-exit conference
17 meeting that was held February 7th, 2018. As a
18 result, the Authority has decided to waive the exit
19 conference. We hope to have to have the Two-Year
20 Compliance Audit finalized and published by the
21 Office of the General -- by the Office of the Auditor
22 General sometime in March. Our Fiscal Year 2017
23 Internal Audit is ongoing, and at this time, there is
24 nothing to report.

1 With that, is there any questions?

2 (No response.)

3 GRANDA: Good.

4 So at this time, I would like to
5 introduce Daniella [sic] Gallet. She is a manager
6 with the Metropolitan Planning Council. She will be
7 presenting the Drinking Water 1-2-3, a guide for
8 local governments on water projects that highlights
9 the State Revolving Fund and that the Authority was a
10 sponsor of.

11 With that, Danielle?

12 MS. DANIELLE GALLET: Am I supposed to be at
13 the podium?

14 MEISTER: Yes, please.

15 MS. DANIELLE GALLET: Got it.

16 Good morning, everyone. I want to
17 thank you for having me here today. My name is
18 Danielle Gallet. I work for the Metropolitan
19 Planning Council, which is a nonprofit. We serve the
20 7-County Region. My background, I'm a water resource
21 strategist, urban planner, and adjunct instructor at
22 UIC.

23 And so what you have in your hands
24 here -- I have extra copies if folks are interested

1 after this as well -- is Drinking Water 1-2-3. This
2 fills a gap in our region, and frankly, in the
3 country where we have over -- in this region, over
4 400 drinking water utilities that operate in
5 northeastern Illinois, even more throughout the
6 state, and most of these are run by municipal
7 governments. And so that means that the decisions
8 about water rates, about asset infrastructure
9 management, about financing that appropriately,
10 making sure that they're taking care of the drinking
11 water and providing safe service is done usually at
12 the hyper-local level, by locally elected officials.
13 They oftentimes come into their civic office without
14 a background in running water management.

15 And so this tool is designed
16 specifically and written for them to give them a leg
17 up, to make sure that we're helping them understand
18 what are the checklists, what are the practices, what
19 are the things that they need to be paying attention
20 to as an elected official of running that water
21 utility.

22 And so we're really excited to have
23 produced this. There is a print copy, obviously,
24 that you have, and then we also have an online

1 interactive version that has a resource guide for
2 staff to go and look at technical documents for some
3 of the practices that we outline in this.

4 I want to draw your attention to the
5 opening flap. We are most grateful to the Illinois
6 Finance Authority for your sponsorship and
7 partnership in the creation of this free resource for
8 this region. We could not have done it without the
9 sponsorships, and we're grateful and thank you for
10 that.

11 Last week, we had a launch event.
12 Chris was there and spoke, and we were really excited
13 to have IFA there connecting the dots. MPC, my work
14 previously, we worked with the State Revolving Fund
15 on improving what I call the front end of that fund.
16 So the customer relationship between IFA -- or,
17 excuse me -- IEPA and the comun- -- municipalities
18 themselves. And we're thrilled to see the
19 partnership that has been so fruitful and we're
20 grateful to Illinois Finance Authority in working
21 with IEPA to make sure that back end of how we run
22 and make sure that there's low interest loan
23 availability for the multitude of infrastructure
24 investment that we need to be seeing happening with

1 our drinking water.

2 So this is for you to pore over and
3 look at if you want, but we are presenting this to
4 all of the councils of government throughout the
5 region, the Metropolitan Mayor's Caucus, Chicago
6 Metropolitan Agency For Planning, the Illinois
7 section of the American Water Works Association, as
8 well as the Northwest Water Planning Alliance. We're
9 all partners with this.

10 We're happy to report that at the
11 national scale and in different state scales, they're
12 asking for copies of this for replication above and
13 beyond.

14 So the information that is about IFA
15 and their work with the State Revolving Fund as well
16 as the work that you do just inhouse is promoted in
17 this guide, is advertised as local communities being
18 able to come and approach IFA on those projects. So
19 we're grateful for your support.

20 If you have questions, I'm certainly
21 happy to answer them. But if you'd like extra
22 copies, I have them. But again, thank you.

23 GOETZ: And I'd just like to ask Chris a
24 question.

1 Is anybody doing this for downstate
2 communities?

3 MEISTER: Not yet.

4 GOETZ: Are we going to find somebody to do it?

5 MEISTER: But -- but what are hoping, again,
6 Metropolitan Planning has a northeastern Illinois
7 regional focus.

8 GOETZ: Uh-huh. I know.

9 MEISTER: But Danielle and Mary Sue Barrett
10 have shown sustained interest over time as statewide
11 citizens. And I think that a lot of what is in here
12 and the advantage of having this resource available
13 online in an easily updated format, I think that we
14 could probably work together with the Municipal
15 League or other statewide actors.

16 They've done two of -- two other ones
17 of these, which was what caught our attention -- or
18 three -- on planning, retail, and housing. And I
19 think, as Danielle indicated, having everything from
20 environmental issues and health issues to rate
21 setting issues in one compressed authoritative format
22 is very useful. And I think that we'll probably work
23 with our relationship to make this available to local
24 governmental citizens across the state.

1 GOETZ: Okay.

2 MS. DANIELLE GALLET: Yeah. If I may add on to
3 Chris's comments --

4 MEISTER: Yeah.

5 MS. DANIELLE GALLET: -- I completely agree
6 with all of that.

7 IEPA has contacted us saying this is a
8 great guide. It goes beyond the practices. The
9 knowledge base goes beyond just northeastern
10 Illinois, and they ever been inquiring into maybe, as
11 part of their practices, reaching out to communities,
12 and when they're coming in, handing this off to them
13 as well across the state.

14 GOETZ: I think it's a great resource. It's
15 just --

16 MS. DANIELLE GALLET: Make sure it goes
17 elsewhere.

18 JURACEK: Yeah. Yeah.

19 So hi, I'm Arlene Juracek. I'm the
20 mayor of Mount Prospect.

21 MS. DANIELLE GALLET: Yay.

22 JURACEK: Yay.

23 MS. DANIELLE GALLET: Nice to me you.

24 JURACEK: And we get our potable water supply

1 from the City of Chicago through the Northwest
2 Suburban Municipal Joint Action Water Agency.

3 MS. DANIELLE GALLET: JAWA.

4 JURACEK: Or JAWA.

5 And so in terms of water supply, our
6 focus is somewhat different than a small town of 600
7 communities in northwest Illinois who's getting it
8 from their own wells.

9 MS. DANIELLE GALLET: Yeah.

10 JURACEK: That being said, to go to my
11 colleague's question here, I go through this as a lot
12 of just plain common sense rules that apply across
13 the state, and I was going to suggest the IML as
14 being a --

15 MS. DANIELLE GALLET: Yes.

16 JURACEK: -- good distribution. But what I'm
17 finding -- I also have a second property out in
18 Carroll County, and all the little, teeny towns there
19 getting dinged by the Illinois EPA for inadequate
20 water structure and infrastructure, trying to figure
21 out how to fund waste water treatment plants,
22 et cetera, et cetera. They're adjacent to or in the
23 middle of rural farm communities, so you talk about
24 fertilizer runoff and everything else.

1 There's just a wealth of knowledge
2 here, and I think that to the extent a small city
3 like Chadwick or Mount Carroll or Savannah can look at
4 these things and perhaps reduce the cost of their
5 water treatment plant if they establish some sound
6 processes there.

7 But I think the issue is out in those
8 rural areas, they don't have anything other than the
9 IML, really, to help dispense the information. So I
10 would suggest, again, going through the IML, and then
11 reenforcing it with the IEPA, because I know those
12 little towns are spending tens of millions of
13 dollars, and I have no idea how the residents of
14 those towns are going to pay for that stuff.

15 MS. DANIELLE GALLET: Yeah.

16 JURACEK: Our property happens to be on a well,
17 and, you know, we've got all of our permitting and
18 licenses and our septic field and everything else.
19 But these little towns are trying to -- they're
20 subject to the same requirements that a big city is.

21 MS. DANIELLE GALLET: Yes.

22 JURACEK: And that's very difficult.

23 MS. DANIELLE GALLET: Yeah. I couldn't have
24 put it better.

1 JURACEK: This looks like it's a great
2 resource, and I would assume that you have engaged
3 people from JAWA and other Joint Water Agencies as
4 well.

5 MS. DANIELLE GALLET: Yes. Paul May actually
6 was one of the advisors on this.

7 JURACEK: Great. Good.

8 MS. DANIELLE GALLET: Yes.

9 Thank you for your time, and thank you
10 for your --

11 GOETZ: Thank you.

12 GRANDA: I'm not really sure whether Kevin
13 Bryant is on the phone.

14 MR. KEVIN BRYANT: I'm here. I'm sorry. I
15 think Brad asked me earlier, and I was busy working
16 on something as I listened in, but I am here to
17 speak.

18 And thank you, Danielle. Gary wasn't
19 able to come over and talk with me, but I know -- I
20 spoke to him yesterday and he speaks very highly of
21 your work that you did, and it is very interesting
22 hearing everyone's comments.

23 And I know, for example, downstate,
24 Illinois Rural Water Association will be another -- a

1 great entity that we use to try to help these
2 downstate rural loan applicants the assistance they
3 need and type of -- help them through the problems
4 that you guys are discussing. They're another great
5 resource.

6 But what you guys are discussing are
7 things that we are counting every day as we -- as I
8 look through these financial reviews as to how are
9 these people going to deal with constructing what
10 they need to do to treat their water properly and how
11 are they going to pay back these loans. It is an
12 issue throughout the state, especially the small
13 communities.

14 So getting into what Chris and Six
15 wanted me to talk about today, I think what I'll
16 discuss will show you how Illinois Finance
17 Authority's work with our agency is helping not only
18 the larger communities, but the small communities
19 (inaudible) assisting in providing additional
20 (inaudible) throughout the state.

21 So as you know, each of the last two
22 years, we've done some very large bond sales with the
23 Finance (inaudible.) 2016, we did a \$500 million
24 issuance with the premium aggregate issuance cost

1 Added up with \$588.7 million of project funds that we
2 disbursed.

3 We did the sale in September --
4 September 12th of 2016. We finished all the clean
5 water funds by May 10th of 2017, and the drinking
6 water funds were done by October 18th, 2017. They
7 were probably -- primarily slower because we had
8 provide state match funds with that bond sale. So we
9 spent the federal grant money first, and that's why
10 those drinking water funds go a little longer to draw
11 in.

12 And then on September 12th,
13 ironically, one year to the date later, we did
14 another \$560- -- and \$25,000 bond sale. With
15 premium, and after issuance cost, provided is 640 --
16 or \$661,355,000 of project costs. And we are just,
17 you know, only five months into disbursing those
18 funds. As of January 31st, we've disbursed 39
19 percent of those funds already. We're projecting at
20 the current rate that those will last us well into
21 July, August time frame.

22 So I just want to reiterate that what
23 you've done in working with us has allowed us in
24 State FY17, the combined programs issued \$914 million

1 worth of loans across the state. And in State FY18,
2 they are going to issue over \$800 million in loans.
3 So in the two-year time period, we've issued \$1.7
4 billion worth of loans to allow communities, local
5 governments to do construction projects to -- sewer
6 and drinking water projects to improve the water
7 quality in Illinois. And so I just want to thank the
8 Illinois Finance Authority's assistance in helping
9 this loan program do a lot more than what we could
10 have done just with our normal repayment stream.

11 So I don't know if there's any
12 questions or -- I could go in -- over in more detail
13 if it will help you understand, but we'll be
14 continuing to leverage over the next several years.
15 We are slowing down our program a little bit on the
16 drinking water side, but it's a continued program
17 we'll be continuing to work with with the Finance
18 Authority, and it does great things for the state of
19 Illinois.

20 CHAIRMAN ANDERBERG: Kevin, this is Eric
21 Anderberg. I just want to thank you for your work
22 and your partnership with the IFA, and we look
23 forward to hopefully doing more State Revolving funds
24 for you in the future.

1 MR. KEVIN BRYANT: Good. Thank you.

2 GRANDA: Thank you, Kevin.

3 And I just did want to mention that in
4 your manila folders, there is a listing of the
5 participants from the sale - from the bond sale from
6 the Series 2016 and then what's currently for the
7 2017.

8 Thank you.

9 CHAIRMAN ANDERBERG: All right. Thank you.

10 FLETCHER: Next on the agenda is the Monthly
11 Procurement Report, which again, we will hear a
12 presentation, but we will not be voting due to lack
13 of a quorum.

14 CHAIRMAN ANDERBERG: Thank you.

15 FRANZEN: Good morning, Mr. Chairman and
16 Members of the Board.

17 From the Procurement Report, you see
18 we've executed five small purchases to support the
19 Authority operations. Within that, there are two
20 exempt contracts listed on the Procurement Report,
21 and those are going to be addressed, I believe in
22 Item Agenda No. 9. And then the final thing is the
23 ADP Total Source Agreement is now executed for
24 employee benefits and payroll services through May

1 2018.

2 Any questions?

3 (No response.)

4 MEISTER: Thank you.

5 CHAIRMAN ANDERBERG: Thank you. We'll just do
6 some Committee Reports.

7 Chairman Horne and Chairman Zeller?

8 CHAIR HORNE: So this morning the Tax-Exempt
9 Conduit Transactions Committee met and unanimously
10 voted to recommend approval of two Beginning Farmer
11 Bonds. We heard and approved the Better Housing
12 Foundation's Ernst Portfolio Project, and also
13 approved a Resolution on the University of Chicago.

14 ZELLER: Yes, and then the Direct and
15 Alternative Finance Committee met also and discussed
16 several resolutions including Participation Loans,
17 and I believe that was Item 6, 7, 8, 9 on the Book
18 Agenda. We recommended approval at that time for all
19 the Projects and Resolutions.

20 FLETCHER: 4 through 8.

21 ZELLER: 4 through 8.

22 CHAIRMAN ANDERBERG: So now Executive Director
23 Meister's going to talk about Items 9 through 11 on
24 the Agenda.

1 MEISTER: Thank you, Mr. Chairman.

2 Again, given the quorum issue, we
3 would anticipate that the projects that were
4 discussed at the Joint Committee this morning would
5 come back to the Board at a to -- at a future, to be
6 scheduled meeting for voting on.

7 I do want to quickly, for the benefit
8 of the Authority Members and for the public, there
9 are three substantive resolutions. Again, we will
10 not be able to vote on them, but I do want to use the
11 Open Meetings forum to bring the Members that are
12 present up to speed. And then there are two items of
13 Other Business.

14 We do have a guest, Ray Kljajic, who
15 will be talking about the New American Infrastructure
16 Model that will come under Other Business. Again,
17 subject matter and discussion only for the
18 information of the Board Members and the Authority.

19 Tab No. 9 in your book is a resolution
20 approving and confirming various procurement matters,
21 including No. 1, a contract with the firm of Baker
22 Hostetler and The Crypsis Group. On that one,
23 General Counsel Weber is available to discuss the
24 details of that issue with the Members. There is a

1 confidential memo in your packets and we can do that
2 outside the Open Meetings format. But when the Board
3 reconvenes, we will be seeking under an anticipation
4 of litigation powers of the Procurement Code to
5 approve those or to ratify and confirm those
6 contracts.

7 No. 2, as Six had mentioned, a
8 personal services contract with Kathy Lydon; for
9 federal policy matters, a personal services contract
10 with Janella Kaczanko. Both of those, I have entered
11 into those contracts and those folks have been under
12 payroll. Again, this would be to memorialize and
13 ratify those contracts by the Authority.

14 An Amendment -- No. 5, an amendment to
15 the contract with Catalyst, our outside IT vendor,
16 for information services and support. Again, we've
17 executed that, and this will memorializing and
18 ratifying that.

19 And finally, 6, an assignment of an
20 existing legal contract from Polsinelli and the
21 lawyer involved went to Barnes Thornburg. And again,
22 this would be to memorialize and ratify that.

23 I can take any questions on these
24 Procurement matters which supplement Terry Franzen's

1 presentation.

2 (No response.)

3 MEISTER: Moving on to an Agenda Item 10. It
4 is my recommendation, and then there was a memo in
5 the Authority, or in the manila packets, that next
6 time that the Board reconvenes that it's our
7 recommendation that the Board appoint Elizabeth
8 Weber, our General Counsel, as Secretary of the
9 Authority. We have gone for some time with two
10 Assistant Secretaries, and -- Brad Fletcher and Mari
11 Money, and also supplement that with Ryan Oechsler,
12 the Associate General Counsel, and he would be an
13 Assistant Secretary. And Mari Money and Brad
14 Fletcher would remain as Assistant Secretaries.

15 So I will take any questions.

16 (No response.)

17 MEISTER: Seeing none, finally, Agenda Item
18 No. 11, we have gone for some time without a
19 treasurer of the Authority. That is -- it requires a
20 Board vote, but it is our recommendation that the
21 Board appoint Brad Fletcher, who has ably served as
22 an Assistant Secretary and continues to serve, as
23 treasurer. The duties of the Treasurer are set forth
24 in the Resolution, but it is additional check

1 signatory as well as working with Six on some of the
2 investments of general funds and some specific
3 statutory rules that are mandated. But it is my
4 recommendation that the Board appoint Mr. Fletcher
5 next time that we reconvene.

6 Any questions?

7 (No response.)

8 MEISTER: And then, if I may, to go on to --

9 CHAIRMAN ANDERBERG: Please.

10 MEISTER: -- Other -- Other Business. Oh.

11 FLETCHER: If I may, for the record,
12 Mr. Chairman, the items that were covered by the
13 Joint Committees this meeting -- this morning, the
14 Project Reports and Resolutions Items 1A, 1B, and 2
15 through 8, are being deferred at this time.

16 MEISTER: We've got two items of Other Business
17 that, unfortunately, we were not able to cover at the
18 earlier Joint Committee, but I do think that for
19 discussion purposes and information for the Board and
20 the public, they are important, and I would like to
21 ask Ray Kljajic to come to the podium.

22 Ray has been working on infrastructure
23 and financing for a number of years; he's a former
24 investment banker. And there's a memo at the back of

1 your resolutions regarding the New American
2 Infrastructure Model that I think it has specific
3 application to the future of the Authority, the
4 future of infrastructure and financing in this
5 country and this state, and also positive
6 implications potentially for state and local
7 government public pension obligations.

8 Ray?

9 MR. RAY KLJAJIC: Well, that was the nicest way
10 anybody has ever said "old," but thank you.

11 Now, I've been a merchant of debt for
12 nearly 40 years to state and local governments, and
13 in that -- and working a lot here in Illinois, headed
14 up the central region, which is down to Texas, up to
15 Idaho, over to Ohio, down to Kentucky. But in those
16 years, you know, we've worked very closely with state
17 and local government and anybody that understands
18 American finance, public finance. Lyle and I were
19 talking. It's a bottom-up system, it's not a
20 top-down like many other countries, and especially
21 when you come to infrastructure.

22 I was very heartened, this -- the
23 commentary on water and sewer that's been shared here
24 today because it tees up the subject. My partner and

1 I who head- -- my partner headed Citigroup's Public
2 Finance practice for over 20 years. We were number 1
3 16 out of 20 years, which people in the industry know
4 that's a pretty major feat. But we came to the
5 conclusion several years ago that debt was not going
6 to solve a lot of the problems. The two key problems
7 that our state and local governments face, nationally
8 and here in Illinois, particularly, is underfunded
9 pensions and a growing infrastructure gap as far as
10 investment.

11 And the first page of our presentation
12 we'll always outline to folks is that our problem
13 isn't the lack of money. It's not a lack of
14 financing tools. It's a lack of political will to
15 decide who's going to pay. And generally speaking,
16 that's where the rubber hits the road.

17 So Mayor Daley and Mitch Daniels did
18 some wonderful things with P3s, public-private
19 partnerships. In the case of Indiana, you know, they
20 had \$200 or \$300 million worth of debt. They sold it
21 for \$3.8 billion. They put another \$700 million --
22 the bidder -- the winning bidder had to put another
23 \$700 million into the road. Mitch Daniels took
24 \$3 and a half billion, combined it with state debt,

1 and funded a ten-year, \$10 billion capital program
2 for the State. So I mean, hard pressed to drive
3 anywhere in Indiana and not see a road under
4 construction.

5 So that's -- you know, that's --
6 that's a great story, but the debt and pensions in
7 our country add up to about -- for state and local
8 government add up to about \$7 trillion and the rating
9 agencies are taking a really hard look at that. And
10 the metrics that they're using are liability-driven;
11 you get no credit. State and local government get no
12 credit for their hard assets.

13 So Brookings just published a great
14 book on hidden assets, and for accounting purposes on
15 books of state and local government, the, you know,
16 best estimate is that on the books the assets are
17 only worth about \$3 trillion. The market value is
18 anywhere from \$10 to \$25 trillion. Nobody really has
19 a good handle on that. So there's trillions of
20 dollars of assets that government's not getting any
21 credit for.

22 Now, granted, certain assets you can't
23 get credit for. Your regular streets that you can't
24 toll or tax are one thing, but the revenue-producing

1 assets like water and sewer, electricity, gas, things
2 that in other countries are in the domain of private
3 sector and not so much public sector, are assets that
4 our communities can take advantage of and can try to
5 create a turnaround.

6 In working with the Illinois
7 Legislature and now a third governor on ideas on how
8 to do this, they've all concluded that asset
9 monetization needs to be taken a serious look here in
10 the State of Illinois.

11 Moody's has the State at around over
12 \$200 billion of unfunded pension liability. City of
13 Chicago's another \$50 billion of unfunded liability.
14 Those are astronomical numbers if you take it and
15 look at the country as a whole. It's off the charts.
16 The only thing that's worse right now is Puerto Rico.

17 So I mean, when you stack up the
18 Illinois numbers against those other states -- now,
19 there are other states that would argue with us as to
20 who's got the most challenges. That would be
21 Connecticut and New Jersey.

22 But we're in a bunch -- we're in a
23 bundle right now that is not a particularly pretty
24 bundle, and the -- and it's not for lack of ringing

1 the alarm, because I think the finance community for
2 last 15 years has been arguing that reform was
3 needed.

4 So in Illinois, \$200 for the state,
5 \$50 for the city. All the other communities, there's
6 671 pension funds in Illinois, so let's call it 650
7 represent the communities smaller than Illinois
8 [sic]. Well, most of those pen- -- almost all of
9 those pension funds are Police and Fire. A lot of
10 the communities have one of each. So that means --
11 let's make it simple, 325 communities. If you go
12 down that list of 325 communities in Illinois, you
13 get to the bottom of that list, you're talking very
14 rural communities. And they, as a group, owe \$30
15 billion, which is an astronomic amount of money.

16 So if you look at the state with its
17 \$200 that they don't know how to solve. You have
18 Chicago that's going to -- you know, has taken some
19 action to solve theirs, and then you have all these
20 other communities like yours that have fairly large
21 fire/police pension funds unfunded.

22 There's no easy solution for this, but
23 most communities, like the mayor's, own Water and
24 Sewer or one or the other. We're not advocating

1 privatization because we know how difficult a subject
2 matter that is.

3 However, the Cana- -- the Australians
4 have done this. Corporate America does it all the
5 time, and that is asset in-kind contributions to
6 their pensions. And we've been working with both
7 Congress, the Whitehouse, state and local government
8 officials on making sure that we do that in a safe
9 way.

10 In Illinois, as I said, most
11 communities own Water and Sewer. Many communities
12 also own gas, electric, cell towers, light, and those
13 assets are valuable. And they're very valuable to
14 pension funds because pension funds are looking for
15 core assets, stable -- stable -- you know, stable
16 returns, returns that are uncorrelated to stock
17 markets, and something they can feel and know that's
18 going to be there, and they want to diversify that.

19 So in working with the Governor's
20 Office as well as the Legislature, the Illinois State
21 Board of Investments is where they would like to
22 house these assets the municipalities and the State
23 would like to contribute in lieu of payment -- not in
24 lieu of payment, but in addition to payment to bring

1 that unfunded liability down. And Chris handed out a
2 quick one-pager on how that would work.

3 But basically, if you were to look at
4 a community -- and this is not -- this is one of our
5 larger communities, but by no means large, that
6 owes -- that has an unfunded liability of, say, \$500
7 million, and their Water and Sewer assets are worth
8 \$200 million, and you transfer that asset to the
9 pension fund.

10 But as we counseled, it's not only the
11 pension funds that have trouble. We need to fix our
12 roads, our bridges, a lot of infrastructure. So
13 we've counseled folks to give part of it to the
14 pension funds, part of that value, and part of that
15 value to -- goes to new infrastructure, both at the
16 utility level as well as at the municipal level.

17 Now, that you think some people are of
18 the mind that, you know, water revenues stay on
19 water, sewer revenues stay on sewer, gas stays on
20 gas, electric stays on electric. And that was an
21 argument we had in Indianapolis, a AAA community that
22 was short of money for infrastructure. But they
23 decided they had a water utility, they had a gas
24 util- -- I mean, a water utility and sewer utility,

1 and it had a separate gas utility that was
2 quasi-privately run.

3 The City, after 57 town hall meetings;
4 council meetings; committee, subcommittee meetings
5 sold those assets to Citizens Energy in Indianapolis.
6 Citizens Energy hired Booz & Company to prepare their
7 bid. Booz estimated \$90 million of synergy savings
8 over 50 years, present value. So what the regulators
9 did there is half the value went to rate payers and
10 half the value went to infrastructure.

11 So these are not radical ideas. In
12 Illinois, we're partnering with Ullico, which is the
13 labor infrastructure fund, and they recently -- or
14 not so decent [sic] -- about three or four years ago,
15 bought Rialto, California's, water assets to -- to
16 basically help their pension situation.

17 So we're not saying that this is a --
18 something for everybody, but we're consulting.
19 We're -- we've been bought on. This will be in the
20 Public Domain in the next couple of weeks. But the
21 State of New Jersey's brought us on board, we're
22 partnered with folks in Connecticut, and there's a
23 couple of other states that are going full bore on
24 this because they know that they can't tax their way

1 out of this and that they need to look at how to take
2 these precious assets, public assets, keep them in
3 the public domain, which is public pension funds, for
4 the benefit of the public. And that's -- that's
5 basically the core essence of this.

6 The Administration -- the Trump
7 Administration's going to be rolling out an
8 infrastructure plan on Monday, at least it's alleged
9 to be coming out on Monday. It's going to be heavily
10 weighted towards communities that can raise local
11 resources to match federal resources. It's going to
12 be heavily ma- -- it's going to have a nice, huge
13 rural comun- -- component. Sorry.

14 But it's going to have a large rural
15 component. Rural communities are least equipped to
16 compete for federal grants, and having an
17 organization like yours helping Illinois rural
18 communities compete for that money will give us a
19 step -- much better step than, say, Iowa that doesn't
20 have something like that, that has similar needs.

21 In New Jersey, one of the reasons
22 they're pushing this is 90 percent of their
23 compliance problems in New Jersey are with
24 municipally-owned utilities. So last year they

1 passed a law that any mayor or Water Authority
2 chairman or chairwoman has to sign a certificate each
3 year that their drinking water is safe and clean.
4 So -- and this has been passed by, you know,
5 supermajority Democrat legislatures.

6 And so the issue is here, it's now,
7 you know, with -- infrastructure's at a point right
8 now that we need to address it. The administration,
9 they're not going to -- we're not optimistic about
10 money from Washington, but there will be, ultimately,
11 some, and the better position we are, the more the
12 State can capitalize on it.

13 JURACEK: I've got more questions than anything
14 else.

15 MR. RAY KLJAJIC: Well, that's -- it's all
16 fair.

17 JURACEK: I would caution the group, and I'm
18 sure you're aware of this, that you can't generalize
19 across the entirety of the state of Illinois.

20 MR. RAY KLJAJIC: Absolutely.

21 JURACEK: Okay?

22 So I heard a couple of different
23 concepts. One would be a sale to a private utility.
24 I have to tell you, Illinois-American --

1 MR. RAY KLJAJIC: That's not -- that's okay.

2 JURACEK: Illinois-American Water has a lousy
3 reputation in northeastern Illinois. We have a small
4 portion of our village served by them. Their rates
5 are much higher than the Village rates and their
6 quality of service is in the tubes. You know, it's
7 really bad. So I think that would be difficult.

8 And somehow, though, I also heard
9 somehow trying to collateralize the market value of
10 the infrastructure assets to use as some sort of a
11 pledge to meet your pension fund obligation, and
12 that's where I'm very confused. It struck me.

13 So my working career was at
14 Commonwealth Edison and Exelon Corporation, and some
15 of this, for me, is reminiscent of when electric
16 generation was deregulated and became competitive,
17 and there was the issue of do ratepayers take the
18 risk or does the marketplace take the risk. And
19 there, though, you had a marketplace for electric --
20 electricity is not like water, you know? ComEd, for
21 example, is part of PJM. It's 13-state region and we
22 have other entities to help us with reliability and
23 all of that. Water, in many cases, is very local.
24 We happen to get ours from Lake Michigan, but in the

1 western suburbs, they get it from wells or, you know,
2 other places.

3 It's really hard to generalize, and I
4 think we're just at the very beginnings of this
5 because I know the dereg discussion on the
6 electricity side took 20 years, you know, so -- to
7 work through all of the issues and how this would
8 work.

9 And what strikes me is there has been
10 some legislation regarding lead testing, for example,
11 in Illinois. Many of our legislators don't
12 understand the situation. They were going to mandate
13 that electric -- or that water companies be
14 responsible for picking up the cost of lead testing
15 in the drinking fountains in schools. And they made
16 a presentation to the Metropolitan Mayor's Caucus,
17 and it was -- and we were protesting, you know, about
18 the cost of that.

19 And the legislators said, Well, what's
20 the problem? The water companies pick it up. "Madam
21 Legislator, you don't get it. We are the water
22 companies." It's the municipalities. And the lead's
23 not coming from us, it's coming from the pipes that
24 schools installed, you know.

1 So I would caution in any discussion
2 with the legislator that you'd be talking to a
3 legislator at least who used to be a mayor or
4 something, you know, where we can get a fuller
5 picture. I don't see that all the parties are
6 engaged at the table at this point in time.

7 MR. RAY KLJAJIC: Sure. Let's --

8 JURACEK: And you know what, we don't need to
9 debate this all out this morning. I just bring that
10 up as a caution. I think this is the very beginnings
11 of a discussion.

12 MR. RAY KLJAJIC: I would call it an advanced
13 beginning.

14 JURACEK: Uh-huh.

15 MR. RAY KLJAJIC: Because, I mean, as Chris
16 knows -- you know, Chris was kind enough to join us
17 in Washington a couple weeks ago, and we have
18 organized a group of 20 public pension funds, which
19 is the -- they represent a trillion dollars of assets
20 under management. They all want to increase their
21 pension funds as a group want to invest five percent
22 of their assets in infrastructure.

23 JURACEK: Uh-huh.

24 MR. RAY KLJAJIC: The best infrastructure for

1 them to own is public infrastructure because it's the
2 least-risk asset class. That's 200 -- they're
3 looking invest \$200 billion in infrastructure, which
4 is a number that they expect to expand.

5 So they would be owners. They would
6 hire the operating companies. In many cases they're
7 going to keep a lot of the same people, but they're
8 going to try to create the synergies and all the
9 other savings that come with scale.

10 JURACEK: But I think what you need to be
11 cognizant of, for example --

12 MR. RAY KLJAJIC: No, that's fine.

13 JURACEK: For example, our water supply comes
14 from JAWA, which is seven suburbs who've joined
15 together. Our sewer treatment is through the
16 Metropolitan Water Reclamation District, which is the
17 entire region. That it's more than just the
18 boundaries of whatever municipality you're talking
19 about within the metropolitan area.

20 MR. RAY KLJAJIC: Totally agreed.

21 JURACEK: In the rural area, it's more, you
22 know, each city is for themselves. And so it's the
23 layers of bureaucracy and ownership here and
24 responsibility are going to be --

1 MR. RAY KLJAJIC: From the State standpoint, if
2 we could -- from the State standpoint, you know, from
3 the Governor's Office and the legislators, just
4 taking care of, you know, granted, Illinois, and you
5 said, you know, we all just talk about Illinois,
6 northeast Illinois being well served by many and
7 having scale. But there's Decatur, Joliet, Peoria,
8 Quad Cities, Rockford.

9 JURACEK: I see plenty of legislation where it
10 exempts counties of 3 million or more residents, you
11 know, or you have a multi-prong solution. So --

12 MR. RAY KLJAJIC: And we're --

13 JURACEK: This is very interesting because,
14 obviously, we're going in the tubes on pension
15 funding. You know, we're putting more money in every
16 year, and our percentage funding is going down. And
17 so you --

18 MR. RAY KLJAJIC: I can --

19 JURACEK: -- need to look at --

20 MR. RAY KLJAJIC: If you look at the books --

21 JURACEK: -- operating opportunities.

22 MR. RAY KLJAJIC: -- of those communities and
23 those smaller communities, you will be aghast. I
24 mean, the law was written because these small

1 communities, we have 650, you know, 7- -- 671 pension
2 funds. Those first 11 or so have high-standard
3 approaches to investing and governance and
4 accounting.

5 Because those smaller pension funds,
6 the legislature doesn't trust them, which includes
7 yours, the rules of what you can invest, as a general
8 matter, are very low.

9 JURACEK: Which is why you also need to be
10 aware of another legislative track which is to
11 combine them all either into one --

12 MR. RAY KLJAJIC: And --

13 JURACEK: -- Police and Fire or, you know, two:
14 one for Police and one for Fire, because of the
15 limits on a lot of what you're going to do with the
16 money.

17 MR. RAY KLJAJIC: And we're working with both
18 organizations.

19 JURACEK: Yeah.

20 MR. RAY KLJAJIC: Both organizations are very
21 supportive of this.

22 JURACEK: What do you mean, "both
23 organizations"?

24 MR. RAY KLJAJIC: The Firefighters

1 Association --

2 JURACEK: That's not enough. You need to be
3 talking --

4 MR. RAY KLJAJIC: -- and the --

5 JURACEK: -- to IML.

6 MR. RAY KLJAJIC: They are all being -- this is
7 all in the process.

8 JURACEK: Yeah.

9 MR. RAY KLJAJIC: Let me just step back.

10 Chris, you know, and I have known each
11 other for a lot of years. We are -- we're going on
12 our own track with the legislature and the Governor's
13 Office and communities.

14 JURACEK: Uh-huh.

15 MR. RAY KLJAJIC: The legislation probably
16 makes -- there's two ways of doing legislation. We
17 either do -- amend the Intercoop- --
18 Intergovernmental Cooperation Act, which there's a
19 lot of support to do, or do we do something better
20 and grander and get IFA involved because you already
21 are doing the State Revolving Loan Fund Program. So
22 you already have natural connectivity.

23 So the question is do we, you know,
24 partner together and take advantage of that

1 connectivity as well as all the other strengths that
2 you already have, which is finance. Because all of
3 these assets will have to continue to be financed,
4 and it's better to finance them through you than
5 having small little bond issues from these smaller
6 communities.

7 JURACEK: Uh-huh. Uh-huh. Yeah.

8 So my point is not to argue with you,
9 but to --

10 MR. RAY KLJAJIC: No.

11 JURACEK: -- point out there are multiple
12 layers and there are multiple actions being taken in
13 Springfield, and you may be under an assumption that
14 there's 660 separate bonds -- that's the number I
15 use -- when, in fact, a year from now there may be
16 two. You know, so...

17 MR. RAY KLJAJIC: And we were active in that
18 discussion. Both associations want our advice
19 because we've been working with -- we were involved
20 with the \$10 billion Illinois Pension Bond issue to
21 solve Illinois's Pension Bond problem, which we
22 didn't.

23 JURACEK: Yeah.

24 MR. RAY KLJAJIC: And so, I mean, no. We're

1 well engaged with all those parties. Again, we've
2 been doing legislation and finance in the state for a
3 long, long time. We appreciate the complexity. I
4 think your Authority can cut through some of that
5 complexity, but nonetheless overlapping units of
6 government in the United States are by their very
7 nature -- I mean, if you read the Brookings book, I
8 mean, the -- half the book is criticizing how many
9 units of local government we have.

10 GOETZ: And Illinois has the most.

11 JURACEK: Yeah.

12 MR. RAY KLJAJIC: We have 7,000.

13 JURACEK: I mean, we're well aware of, you
14 know, governors -- or Lieutenant Governor
15 Sanguinetti's report; Karen Darch, the mayor of
16 Barrington, was our Northwest Municipal Conference
17 representative in that effort.

18 So we're all trying to do the same
19 thing, but I'm just bringing this -- I'm bringing up
20 all the "yeah, buts" that you're going to hear if we
21 don't engage all the parties into this.

22 MR. RAY KLJAJIC: From our standpoint, if
23 there's a dozen, that's a win. From the Illinois
24 Board of Investments, a dozen communities doing this

1 and then folding up some of the smaller units around
2 Decatur, around Joliet, around the Quad Cities,
3 that's a win right there. Northeast Illinois can do
4 whatever it wants to do. I mean, my best speech is
5 Rahm Emanuel doubled the water rate in Chicago and --

6 JURACEK: And he doubled our rate too.

7 MR. RAY KLJAJIC: Inflation indexed it, and
8 then put a 30 percent tax to address the pension
9 problem. I think we can do better than that, and
10 you're welcome to tell Rahm I said it.

11 JURACEK: Oh, no. We've told him too. We just
12 renegotiated our contract with them.

13 MR. RAY KLJAJIC: Well, I mean --

14 JURACEK: We got a five percent rate increase
15 cap too.

16 MR. RAY KLJAJIC: I mean, if you don't do what
17 Indianapolis did -- I mean, think about it. \$900
18 million. That's a AAA community, well respected.
19 It's not like, you know, viewed as a patronage haven.
20 \$900 million of synergies of combining three
21 utilities together. \$450 went to infrastructure;
22 \$400 went -- \$450 went to ratepayers. That is what
23 American Water is trying to do. The problem with
24 American Water, you know, all these folks, they have

1 to -- if they buy you, they're going to buy you and
2 go to a 50/50 debt-to-equity structure. So you're
3 going to go from 4 percent debt to 50 percent at 9 or
4 10 percent on equity, and then taxable debt, you
5 know, call it 5 or 6 percent on taxable debt. So
6 that your -- immediately, your cost of money's going
7 to go up.

8 Here, we're talking about the pension
9 funds taking it over. They're tax-exempt, so the- --
10 entities. The debt will stay tax-exempt, so we'll
11 stay in the tax-exempt market and the equity
12 component's only going to be 25 or 30 percent. And
13 most of that return on equity goes back to Joliet,
14 Aurora, so they don't have to level property taxes as
15 much. Instead, they're getting a dividend on a good
16 portion of that equity that's in their pension fund.

17 So that's -- I mean, it was a lot to
18 swallow in a -- just a quick introduction, but the
19 notion is not to impact your rates other than to
20 better -- you know, the other big problem with most
21 of these communities is underinvestment in the
22 utilities in all these reports. Nobody wants -- none
23 of these communities want to raise their rates and
24 they don't want to pay for depreciation. I mean --

1 and that's why these utilities are falling into
2 disrepair. So -- and part of it is to get better --
3 a better, more holistic management of them, better
4 capital planning. And it's not for everybody and by
5 no means do we -- you know, there's a lot of reasons
6 not to have 325 customers in Illinois.

7 CHAIRMAN ANDERBERG: Okay. Thank you, Ray.

8 GOETZ: I'm familiar the Ullico thing out in
9 California.

10 You working with some of the other big
11 infrastructure companies like Alinda? Macquarie?

12 MR. RAY KLJAJIC: No. Right now, we -- we are
13 branding ourselves strictly as public, with public
14 pension fund money. So, no.

15 GOETZ: Okay.

16 MR. RAY KLJAJIC: So no foreign money, no real
17 private money per se.

18 GOETZ: Yeah. Well, a lot of pension funds --
19 a lot of union pension funds invest in those. And I
20 know --

21 MR. RAY KLJAJIC: Yeah.

22 GOETZ: -- the State Board of Investment is
23 highly invested in Macquarie and Alinda.

24 MR. RAY KLJAJIC: Simple answer, I go to

1 Oklahoma, and they tell me if I show up with any
2 foreign money, I'm out.

3 GOETZ: Well, it's not though. I mean, you
4 know, I know they're from Australia, but they used
5 mostly --

6 MR. RAY KLJAJIC: You know, I've met with the
7 national AFSCME folks.

8 GOETZ: Uh-huh. Yeah.

9 MR. RAY KLJAJIC: And they're a firm no if
10 we're private -- if we're public pension fund money.
11 If you're -- if we're public pensions or labor
12 pensions, it's a different story. AFSCME has told us
13 nationally they will go fight it if it's private.
14 So -- and the --

15 GOETZ: Well, Ullico's private.

16 MR. RAY KLJAJIC: Well, it's labor.

17 GOETZ: Yeah, right. Yeah.

18 MR. RAY KLJAJIC: There -- it's about the
19 governance and the cost of money. People trust
20 public pension funds, they don't trust KKR as much.
21 The cost of money is key; that's the -- that's a deal
22 killer. If you walk in and say I'm going to take
23 your cost of money from four percent to six and a
24 half percent on a capital-intensive asset, they're

1 asking, like, what are you talking about? And you're
2 going to tell them you're going to make it up on
3 synergies and capital enhanc- -- capital-improvement
4 enhancements. And you're going to have the same
5 conversation we had over here about the rates are
6 higher. And that's what we're trying to -- what we
7 will avoid. And Ullico's a great partner and that's
8 why we're partnering with them. And we will partner
9 with other privates, but the governance will remain
10 public.

11 And in Canada, as Lyle can tell you,
12 this is basically taking the Canada model, applying
13 it to an American circumstance, and it's worked
14 marvelously in Canada.

15 Thank you.

16 MEISTER: And -- and again, just to underscore
17 the Authority's interest in this, because I know that
18 we covered a whole variety of issues that are
19 generally beyond the scope of the Authority, the
20 possible outcome of this is, after there is public
21 pension fund partnership/ownership of these -- of
22 these various revenue-producing public assets, that
23 they would need an issuer of their conduit debt going
24 forward for new investments, and the Finance

1 Authority would be the obvious issuer, correct?

2 MR. RAY KLJAJIC: Absolutely. Much preferred.

3 You know, we -- it's a one-stop shopping for us.

4 CHAIRMAN ANDERBERG: Thank you.

5 MR. RAY KLJAJIC: Thank you.

6 CHAIRMAN ANDERBERG: Anything else?

7 FLETCHER: Public comm- --

8 CHAIRMAN ANDERBERG: The author- --

9 FLETCHER: Public comment.

10 CHAIRMAN ANDERBERG: Is there any public
11 comment? Does anyone want to make a public comment
12 before the Board?

13 JURACEK: Mr. Chairman?

14 CHAIRMAN ANDERBERG: Yes.

15 JURACEK: I just wanted to bring up, from time
16 to time we approve projects for Presbyterian Homes,
17 and in particular, we did for The Moorings, which is
18 in Arlington Heights, right next door to me. And I
19 just wanted you to know that one of the investments
20 we approved was for The Highlands, which is their
21 assisted living, and we broke the ribbon on it on
22 Friday. So it's nice to see things from financing
23 all the way to ribbon cutting. It's a beautiful
24 facility. The money went to a good place.

1 CHAIRMAN ANDERBERG: Thank you, Arlene.

2 Any other?

3 (No response.)

4 CHAIRMAN ANDERBERG: Okay. I guess that brings
5 our meeting to a close. We will notify everyone,
6 contingent on everybody's schedule, when we can have
7 a quorum over the next two weeks.

8 Thank you.

9 FLETCHER: The time is 10:50 a.m.

10 (Which were all the
11 proceedings had.)

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1 STATE OF ILLINOIS)

) SS:

2 COUNTY OF COOK)

3 Brad Benjamin, being first duly sworn on oath,
4 says that he is a Certified Shorthand Reporter, that
5 he reported in shorthand the proceedings given at the
6 taking of said hearing, and that the foregoing is a
7 true and correct transcript of his shorthand notes so
8 taken as aforesaid and contains all the proceedings
9 given at said Illinois Finance Authority Meeting.

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