

1 ILLINOIS FINANCE AUTHORITY
2 SPECIAL MEETING OF THE TAX-EXEMPT
3 CONDUIT TRANSACTIONS COMMITTEE MEMBERS

4 June 12, 2018, at 9:00 a.m.
5

6 REPORT OF PROCEEDINGS had at the Special
7 Meeting of the Tax-Exempt Conduit Transactions
8 Committee on June 12, 2018, at the hour of 9:00 a.m.,
9 pursuant to notice, at 160 North LaSalle Street,
10 Suite S-1000, Chicago, Illinois.

11 APPEARANCES:

12 ILLINOIS FINANCE AUTHORITY
13 TAX-EXEMPT CONDUIT TRANSACTIONS COMMITTEE MEMBERS

14 MR. E. LYLE McCOY

15 MS. ARLENE A. JURACEK

16 MR. GEORGE OBERNAGEL

17 MR. BRADLEY R. ZELLER

18 MR. ERIC R. ANDERBERG, Ex-Officio/Non-Voting

19 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

20 MR. CHRISTOPHER B. MEISTER, IFA Executive Director

21 MR. RICH FRAMPTON, Vice President

22 MS. PAMELA LENANE, Vice President

23 MR. BRAD FLETCHER, IFA Assistant Vice-President

24 MS. ELIZABETH WEBER, IFA General Counsel

MR. RYAN OECHSLER, IFA Associate General Counsel

MR. PATRICK EVANS, IFA Agricultural/Rural

Development Financial Analyst (via audio
conference)

1 McCOY: I'd like to call the meeting to order.

2 Will the Assistant Secretary please
3 call the roll.

4 OECHSLER: Certainly. The time is 9:00 a.m.

5 Ms. Juracek?

6 JURACEK: Here.

7 OECHSLER: Mr. McCoy?

8 McCOY: Here.

9 OECHSLER: Mr. Obernagel?

10 OBERNAGEL: Here.

11 OECHSLER: Mr. Zeller?

12 ZELLER: Here.

13 OECHSLER: And Chair Anderberg,

14 Ex-Officio/Non-Voting?

15 ANDERBERG: Here.

16 OECHSLER: Member McCoy, a quorum of Committee
17 Members has been constituted.

18 McCOY: Thank you.

19 Reviewing the Review and Adoption of
20 the Tax-Exempt Conduit Transactions Committee
21 meetings from May 8th, 2018.

22 Does anybody wish to make any
23 additions, edits, or corrections to that said
24 document?

1 (No response.)

2 McCOY: Hearing none, I'd like to request a
3 motion to approve the Minutes.

4 Is there such a motion?

5 OBERNAGEL: Make a motion, Mr. Chairman.

6 McCOY: A second?

7 JURACEK: Second.

8 McCOY: Thank you.

9 All in favor?

10 (Chorus of ayes.)

11 McCOY: Thank you.

12 Presentation and Consideration of New
13 Business. I'd like to ask for general consent of the
14 Members to consider each of New Business items
15 collectively, and have the subsequent recorded
16 applied to each respective individual item unless
17 there are any specific New Business items that would
18 require a Member -- that a Member would like to
19 consider separately.

20 (No response.)

21 McCOY: Okay. Moving on then, hearing none,
22 Mr. Frampton, if you'd like to kick it off, please.

23 FRAMPTON: Thank you Mr. McCoy.

24 We will begin with Item 1 for the

1 Tax-Exempt Committee. It's tab 1 in the Board book
2 and page 22 of your Tax-Exempt packet.

3 The Illinois Institute of Technology,
4 now known as Illinois Tech rather than IIT as their
5 street name so to speak, is requesting approval of a
6 Final Bond Resolution in an amount not to exceed
7 \$45 million. The Bonds will be purchased directly by
8 Wintrust Bank and will be structured as drawdown
9 bonds with two planned advances.

10 The two advances will be for two
11 principal purposes. The first will be to reimburse
12 the University for its May 2018 acquisition of the
13 327-bed State Street Village student housing
14 facility. The proceeds of the first draw will be
15 used to finance project costs and also fund cost of
16 issuance associated with the initial draw. That's
17 expected to occur later this month.

18 If you look at the Sources and Uses of
19 Funds, the acquisition has provided for, in the
20 second line item under Uses, the estimated allocation
21 of tax-exempt proceeds will be \$17,880,000. The
22 second advance will occur next year, February 1,
23 2019, which is the first par call date on the
24 University's outstanding 2019 Bonds. The amount of

1 that refunding is expected to be just over \$26
2 million.

3 The 2009 Bonds currently feature
4 coupons at 6 1/2 percent, and 7, and 8 1/8th percent,
5 and as a result of the refunding they'll be able to
6 refi into an interest rate block which they've locked
7 at 3.85. So they'll effectively be going from a
8 blended rate of 7.015 percent, approximately, on the
9 2009 Bonds down to 3.85.

10 Additionally, they currently have a
11 lease obligat- -- they had had a lease obligation on
12 the State Street Village facility. The new
13 arrangement through this debt financing will --
14 between the refunding and the acquisition of the
15 student housing instead of lease payments, on a net
16 basis that will reduce the university's fixed
17 obligations by approximately \$1.1 million per year or
18 \$17.8 million over the 15-year term of the Bonds. So
19 they'll actually be realizing substantial savings as
20 a result of the refi.

21 In terms of the university's financial
22 picture, that is presented beginning on page 9.
23 Beginning in 206- -- beginning in Fiscal 2017, the
24 university implemented a expense control program. So

1 even though -- if you look third line down on Income
2 Statement, on Restricted Operating Revenues, even
3 though those dipped from 2016 to 2017 by about
4 \$2.9 million, their operating net income improved by
5 \$6.7 million. How did that happen? They reduced
6 operating expenses by \$9.4 million. So this
7 refinancing and restructuring of the student housing
8 debt is another step in implementing their cost and
9 expense control plan.

10 And as a result of that, based on
11 their 2017 cash flows, if you look at pro forma, that
12 coverage under the Ratios column towards the bottom
13 of the page on page 9, you see a modest improvement
14 in debt service coverage.

15 However, in connection with this
16 acquisition of the student housing facility, the
17 University will be imposing residency requirements on
18 their underclass -- undergraduate students beginning
19 in Fall 2018. It will be phased in freshmen this
20 year, freshmen and sophomores beginning in 2019.
21 That will improve occupancy at the student housing
22 facilities. And now that the university will own all
23 of them, they'll be able to realize all the net
24 income that's derived from those. So debt service

1 coverage will improve.

2 So all those are very positive
3 factors. The University also hired a new CFO last
4 July, and they are continuing the expense control
5 program.

6 So all those are positive factors.
7 This is a very positive development for the
8 University, and we recommend approval.

9 McCOY: Thanks, Rich.

10 Any questions?

11 (No response.)

12 McCOY: If not, DePaul?

13 FRAMPTON: Okay. We'll move on to DePaul.

14 DePaul is requesting a Final Bond
15 Resolution. The not-to-exceed amount is \$30 million.
16 The anticipated issuance amount of the refunding
17 bonds is \$29,420,000. These bonds will also be
18 purchased directly by Wintrust. They will be
19 maintaining the existing final maturity date of
20 October 1, 2028; although, the Bond Resolution will
21 provide for a longer parameter on that final maturity
22 date, up to 40 years.

23 The University will be refinancing
24 longer maturity debt that was originally financed in

1 2008, and currently had the features coupons of 4 1/2
2 to 5 1/4 percent. They'll be refinancing to just
3 below 3 percent. So the University expects that
4 their net operating income per year will improve by
5 roughly \$400,000.

6 DePaul continues to post strong debt
7 service coverage, and that is in spite of some
8 enrollment challenges. Their full-time undergraduate
9 enrollments have dropped over the past two years from
10 about 15,500 to 14,200. On the other hand, graduate
11 and law enrollments have reversed a downward trend.
12 Beginning in 2017, they went from 5,100 to 5,300.

13 And just to point out, one of the more
14 outstanding recent successes for DePaul has been
15 their collaboration in the health sciences with
16 Rosalind Franklin University of Health and Sciences
17 in North Chicago from fall 2017 to fall -- or from
18 fall 2010 to 2017, enrollment in DePaul's health
19 programs has increased 8 1/2 percent of enrollment to
20 13.2 percent. So that had been a win-win for both
21 institutions. I'll be talking about Rosalind
22 Franklin in connection with Item 5 for the Tax-Exempt
23 Committee later.

24 Just in closing, DePaul has been IFA's

1 most frequent borrower in the Higher Ed sector, and
2 we are pleased to welcome them again. And we'll be
3 welcoming the University's new treasurer, Erin
4 Archer, to the 9:30 meeting. She's not expecting to
5 make any remarks, but she would like to introduce
6 herself to the Board.

7 McCOY: Okay. Any questions?

8 (No response.)

9 McCOY: If not, Patrick, I think it's over to
10 you.

11 EVANS: Thank you.

12 Today, IFA has three -- four Beginning
13 Farmer Bonds. These Bonds are secured by first
14 mortgage lien position on real estate.

15 The first Beginning Farmer Bond
16 request is Johnathon M. Deters. The staff requests a
17 one-time final bond approval for Johnathon Deters who
18 is purchasing 30 acres of farmland located in
19 Effingham County, in the not-to-exceed amount of
20 \$327,000. The Bank of Teutopolis is purchasing -- is
21 the purchasing bank for this conduit transaction.

22 Philip Hartman is the second Beginning
23 Farmer Bond request. Staff is requesting a one-time
24 final approval for Philip, who is purchasing 55.7

1 acres of land located in Ford County, in the
2 not-to-exceed amount of \$269,551. The Bank of
3 Pontiac is purchasing -- is the purchasing bank for
4 the conduit transaction.

5 Matt Robert Grundy is the third
6 Beginning Farmer Bond request. Staff is requesting a
7 one-time final approval for Matt Robert Grundy, who
8 is purchasing 40 acres of farmland located in
9 Christian County, in the not-to-exceed amount of
10 \$220,000. The Bradford National Bank is
11 purchasing -- is the purchasing bank for this
12 conduit.

13 The final Beginning Farmer Bond
14 request is Zachary Paul Knobloch. Staff is
15 requesting a one-time final approval for Zachary Paul
16 Knobloch, who is purchasing 40 acres of farmland
17 located in Stark County, in the not-to-exceed amount
18 of \$195,000. The State Bank of Toulon is the
19 purchasing bank for this conduit transaction.

20 Is there any questions?

21 (No response.)

22 McCOY: I don't think so, Patrick. Thank you.

23 EVANS: Thank you.

24 McCOY: Brad?

1 FLETCHER: Next, is Item 4 on the Committee's
2 agenda; this tab 5 in your Board Books. This is a
3 Resolution requesting authorization for execution and
4 delivery of a first amendment and approving related
5 documents for Concordia University's 2013 Bonds
6 issued through the Authority.

7 As background, in 2009, we issued
8 approximately \$30 million of tax-exempt debt for the
9 University to finance various capital expenditures on
10 their campus in the near western suburbs. That 2009
11 bond transaction was structured as a letter of
12 credit, a deal which was typical of that time. In
13 2013, they refinanced it to a bank direct purchase
14 structure with First Merit Bank, which is now
15 Huntington National Bank, for its initial term of
16 five years. At the time, that was \$17 million in
17 2013.

18 That initial five-year term is
19 expiring this July. They are now seeking to switch
20 banks. The new bank will be Busey Bank, which we
21 will be their new relationship bank. And they will
22 be afforded more favorable terms with Busey Bank for
23 the approximate \$13,600,000 that remains outstanding.

24 I just did some quick and dirty math

1 before the meeting. At very least, they'll save
2 approximately 50 basis points of annual interest.

3 I'll note on page 8 in the
4 confidential section, we're offering our amended fee
5 here. We should be fortunate to see this borrower
6 again, just five years later, after the initial term.

7 Are there any questions?

8 (No response.)

9 FLETCHER: Thank you.

10 McCOY: Thank you.

11 Item 5?

12 FRAMPTON: Okay. Item 5 is Rosalind Franklin
13 University. These are amendments to the Series 2017
14 Bond documents, including the indenture and loan
15 agreements for Series 2017C and D as well as the
16 indenture for Series 2017A and B.

17 Basically, the big picture here is in
18 2017, the Authority issued \$50 million of bonds for
19 Rosalind Franklin University to enable them to
20 finance the construction of a new four-story research
21 building to serve as a research park. The Bond issue
22 was comprised of \$30 million of Tax-Exempt Bonds and
23 \$20 million of Taxable Bonds. The reason for the
24 Taxable Bonds is that the University plans to lease a

1 significant portion of space to unaffiliated entities
2 including pharmaceutical companies as well as
3 university-related startups. The credit for the
4 transaction is a unrestricted pledge of the
5 University's net operating -- or unrestricted
6 operating revenues.

7 So effectively, Rosalind Franklin
8 University is undertaking and signing a master lease
9 for 100 percent of the building space, so that's the
10 security. That really renders the underlying leases
11 irrelevant. S&P and Fitch rated the Bonds based on
12 Rosalind Franklin's general obligation credit and
13 this pledge.

14 So what about this New Markets Tax
15 Credit financing? This was contemplated and built
16 into the Bond documents back in 2017. This is very
17 innovative. This will enable Rosalind Franklin to
18 use a portion of the Series 2017D, the taxable bond
19 proceeds, as part of a leveraged loan under New
20 Markets Tax Credit structure.

21 And if you look at Point No. 4 on page
22 2, that demonstrates what the impact of the new
23 market structure is. \$10,956,000 of the Series 2017D
24 proceeds will serve as the leverage loan going into

1 the New Market structure. Sun Trust Capital will be
2 investing \$4,000,914. That will be new debt going
3 into the project.

4 Rosalind Franklin University will be
5 amending their lease to provide for the extra
6 payments, and that will -- that they'll be obligated
7 to make during the seven-year New Markets Tax Credit
8 period. What is always expected to happen with these
9 New Markets Tax Credit financing is that Sun Trust
10 will exercise a put option after seven years. At
11 which time, the University will pay \$1,000 and the
12 New Market structure will be unwound, and basically
13 the structure will revert to way it is now. So there
14 will be an intermediate structure for seven years
15 that effectively go away.

16 So this Resolution enables that to
17 happen. After seven years, it will -- the New
18 Markets data, \$4 million \$4 to \$4.9 million will
19 convert into equity to the benefit of the
20 University's balance sheet.

21 That's it.

22 McCOY: Any questions?

23 (No response.)

24 McCOY: Thank you, sir.

1 Pam, over to you.

2 LENANE: Okay. No. 7 is for Southern Illinois
3 Healthcare Enterprises, Inc. They're asking a
4 Resolution to approve their amending their 2014A
5 Bonds and their 2014B Bonds. The A Bonds are -- the
6 rate has become high because of increased interest
7 rates, and DNT, which is an affiliate of JP Morgan
8 Chase, has agreed to modify the interest rate on the
9 Series '14A Bonds. And on the 2014B Bonds, they're
10 going to be purchased by Clayton Holdings at a lower
11 interest rate than the current interest rate.

12 They're also asking -- the Bonds
13 currently are both in private placement modes, and
14 they would like the private placement rate period --
15 they'd like to have an amendment to permit
16 conversions to other interest rates at the end of the
17 current private placement rate period.

18 All of this is in order to provide
19 flexibility in the future for conversions, and that's
20 all she wrote. It's very simple.

21 McCOY: Okay.

22 LENANE: Okay. No. 8 -- oh, any questions?

23 (No response.)

24 McCOY: I think we're at Silver Cross.

1 LENANE: Silver Cross is asking for the
2 authorization to amend their 2010A Bonds, their 2010B
3 Bonds, and their 2015 -- 2015 -- let me get the B, A.
4 B -- just 2015 Bonds.

5 All of these, their -- the amendments
6 to each of the loan agreements will effectuate the
7 change in the interest rate formula on the Bonds.
8 They're all switching out of LIBOR-based interest
9 rate formulas. And in the case of the Series 2010
10 and 2010B Bonds, to extend the current interest rate
11 period for which the purchaser will provide -- will
12 own the Bonds.

13 And these amendments are going to
14 become quite customary because of the disappearance
15 of LIBOR.

16 McCOY: Okay. Do we have one more?

17 FLETCHER: I'll be brief so we can beat our 26
18 minute mark.

19 Item 8 on this Committee's Agenda,
20 which is tab 9 in your Board Books, is for O'Fallon
21 Preservation. In 2008, we issued approximately \$2.8
22 million of bonds for affordable housing development
23 in O'Fallon, Illinois. The Borrower was O'Fallon
24 Preservation, NFP. They are a subsidiary of Hispanic

1 Housing Development Corporation, which is a borrower
2 of the Authority. Those 2008 Bonds were issued with
3 a 10-year maturity, which was June 1st, 2018, of this
4 year, so just last week.

5 There was also a subordinated loan
6 with our sister agency the Housing Development
7 Authority. They are seeking to refinance out of
8 those 10-year Bonds. And as they undertake a closing
9 with First American bank for a short-term bridge
10 loan, they need a one-month maturity to be approved
11 by this board so they can finalize those details.

12 McCOY: Thank you.

13 FLETCHER: And on page 4, we recommended no fee
14 given it's just a one-month extension. It's customer
15 service on our end to provide this to an ongoing
16 client.

17 McCOY: Okay. Thank you.

18 Any questions?

19 (No response.)

20 McCOY: If not, I'd like to request a motion to
21 pass and adopt the following New Business items: 1,
22 2, 3A, 3B, 3C, 3D, 4, 5, 6, 7, and 8.

23 Is there such a motion?

24 JURACEK: So moved.

1 OBERNAGEL: And a second, Mr. Chairman.

2 McCOY: Thank you.

3 Will the Assistant Secretary please
4 call the roll.

5 OECHSLER: Certainly.

6 On the motion and second, I will call
7 the roll.

8 Ms. Juracek?

9 JURACEK: Yes.

10 OECHSLER: Mr. McCoy?

11 McCOY: Yes.

12 OECHSLER: Mr. Obernagel?

13 OBERNAGEL: Yes.

14 OECHSLER: Mr. Zeller?

15 ZELLER: Yes.

16 OECHSLER: Member McCoy, the motion carries.

17 McCOY: Thank you.

18 Is there any other business to come
19 before the Committee.

20 MEISTER: Yes, Mr. Chairman. I would like to
21 read a statement for the Members of the Committee
22 because there had been a conduit borrower that has
23 come recently before the Committee. We can't
24 identify them at this time. But over the past

1 several weeks, the Authority has been in
2 communication with a major Illinois news organization
3 regarding allegations of life safety and management
4 issues, with respect to facilities owned and operated
5 by a conduit borrower of the Authority. The
6 Authority has been in communication with
7 representatives of the Conduit Borrower.

8 The Authority takes these allegations
9 very seriously. Under the financing documents, the
10 Borrower is obligated to address these allegations.
11 The trustee for the Bonds, and in certain respects
12 the Authority, retain rights with respect to the
13 Borrower.

14 Given the regulatory and contractual
15 framework that applies to conduit bonds, the
16 Authority's role is limited, but we are actively
17 engaged in addressing these issues.

18 I will update the members of the
19 Authority as matters develop.

20 McCOY: Okay. Thank you.

21 Any questions regarding that?

22 (No response.)

23 McCOY: Thank you.

24 Public comment? Is there any public

1 comment to come before the Committee?

2 (No response.)

3 McCOY: Hearing none, I would like to request a
4 motion to adjourn.

5 Is there such a motion?

6 JURACEK: So moved.

7 ZELLER: Seconded.

8 McCOY: Thank you.

9 All in favor?

10 (Chorus of ayes.)

11 McCOY: The ayes have it.

12 OECHSLER: The time is 9:23 a.m.

13 (Whereupon the above
14 matter was adjourned.)

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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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Certified Shorthand Reporter

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No. 084-004805

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