

## 1 ILLINOIS FINANCE AUTHORITY

## 2 SPECIAL MEETING OF EXECUTIVE COMMITTEE MEMBERS

3 November 9, 2017, at 8:08 a.m.

4  
5 REPORT OF PROCEEDINGS had at the Special  
6 Meeting of the Executive Committee Members of the  
7 Illinois Finance Authority on November 9, 2017, at  
8 the hour of 8:00 a.m., pursuant to notice, at 160  
9 North LaSalle Street, Suite S-1000, Chicago,  
10 Illinois.

11  
12 APPEARANCES:

13 ILLINOIS FINANCE AUTHORITY

EXECUTIVE COMMITTEE MEMBERS

14 MR. ERIC ANDERBERG, Chairman

15 MR. LERRY KNOX (Added)

MS. GILA BRONNER (Via Audio Conference)

16 MR. ROBERT HORNE (Via Audio Conference)

17 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

18 MR. CHRISTOPHER B. MEISTER, IFA Executive Director

MR. BRAD FLETCHER, IFA Assistant Vice President

19 MS. ELIZABETH WEBER, IFA General Counsel

20 GUESTS

21 MS. ELIZABETH CAMPBELL, BLOOMBERG L.P.

22

23

24

1           CHAIRMAN ANDERBERG: With that, we'll call the  
2 meeting to order.

3                     Will -- Assistant Secretary, please  
4 call the roll.

5           FLETCHER: Certainly. The time is 8:08 a.m.

6                     Mr. Knox?

7           KNOX: Here.

8           FLETCHER: Mr. Horne?

9           CHAIRMAN HORNE: Here.

10          FLETCHER: Ms. Bronner?

11          BRONNER: Here.

12          FLETCHER: And Chairman Anderberg?

13          CHAIRMAN ANDERBERG: Here.

14          FLETCHER: Mr. Chairman, a quorum of the  
15 committee members has been constituted.

16          CHAIRMAN ANDERBERG: Very good.

17                     Does anyone wish to make any  
18 additions, edits, or corrections to the Open Session  
19 Minutes from April 13th, 2017?

20                     (No response.)

21          CHAIRMAN ANDERBERG: Hearing none, I'd like to  
22 request a motion to approve the Minutes.

23                     Is there such a motion?

24          KNOX: So moved.

1 BRONNER: So moved.

2 CHAIRMAN ANDERBERG: Okay. Mr. Knox -- and  
3 I'll take that as a second, Gila.

4 BRONNER: Okay.

5 CHAIRMAN ANDERBERG: All those in favor?

6 (Chorus of ayes.)

7 CHAIRMAN ANDERBERG: Opposed?

8 (No response.)

9 CHAIRMAN ANDERBERG: The ayes have it.

10 Does anyone wish to make any  
11 additions, edits, or corrections to the Closed  
12 Session Minutes from April 13th, 2017?

13 (No response.)

14 CHAIRMAN ANDERBERG: Hearing none, I'd like to  
15 request a motion to approve the Minutes.

16 Is there such a motion?

17 KNOX: So moved.

18 CHAIRMAN ANDERBERG: Motion by --

19 CHAIRMAN HORNE: Second.

20 CHAIRMAN ANDERBERG: -- Mr. Knox; second by  
21 Mr. Horne.

22 All those in favor?

23 (Chorus of ayes.)

24 CHAIRMAN ANDERBERG: Opposed?

1 (No response.)

2 CHAIRMAN ANDERBERG: The ayes have it.

3 Is there a motion to recommend that  
4 all the Closed Session Minutes remain closed and not  
5 open to the public until the next periodic review as  
6 required by the Open Meetings Act?

7 BRONNER: So moved.

8 CHAIRMAN ANDERBERG: Motion by Ms. Bronner.

9 Can I have a second?

10 CHAIRMAN HORNE: Second.

11 CHAIRMAN ANDERBERG: A second by Mr. Chairman  
12 Horne.

13 All those in favor?

14 (Chorus of ayes.)

15 CHAIRMAN ANDERBERG: Opposed?

16 (No response.)

17 CHAIRMAN ANDERBERG: The ayes have it.

18 Okay. Federal tax reform legislation,  
19 we kind of had a gut punch last Thursday by H.R. 1,  
20 the House bill, and Chris is out of the room at the  
21 moment. I'll let him return, because he wants to  
22 talk a little bit, I think in detail, about how we're  
23 circling the wagons here at the moment.

24 I'll just say in this regard that I'm

1 pretty disappointed in what has come out in this  
2 House -- House resolution, but...

3 WEBER: Well, while we're waiting, Chairman  
4 Anderberg, do you want to just confirm whether the  
5 members of the Executive Committee got the further  
6 communication from Chris Meister?

7 CHAIRMAN ANDERBERG: Oh. The -- this right  
8 here? The --

9 WEBER: It's a November 9, 2017 --

10 CHAIRMAN ANDERBERG: Yeah.

11 Did you guys on the phone, did you  
12 receive the November 9th statements that Chris  
13 Meister put out?

14 WEBER: Yes, the mail [sic].

15 CHAIRMAN ANDERBERG: Okay. Good. Good.

16 That kind of is an explanatory of  
17 what -- of where we're at and what's going on. Chris  
18 did an excellent job.

19 Obviously, the question is, for the  
20 IFA, if this passes, what happens to our -- our  
21 source of revenue, and I'll say that this has been --  
22 since I've been Chairman, I know the chairman before  
23 me, the concern was diversifying the IFA's offering  
24 in revenue. And that's something that's been -- has

1     been worked on and is being worked on.  And, you  
2     know, that will be the message for me today in the  
3     Open Board Meeting, that we might have a very busy  
4     December if this is going through, but the first  
5     quarter, maybe the second quarter of next year might  
6     be somewhat slow.

7                     But we are, as in Chris's question and  
8     answer explanations, we are sitting on firm a  
9     financial ground, we have a lot of reserves, and we  
10    will be -- either way, if this passes or doesn't  
11    pass, we will be diversifying the offering of the IFA  
12    to give us -- so we're not subject to something that  
13    happens in Washington, D.C., like this again.

14                    So with that, I'll -- Chris, you want  
15    to add any --

16                    MEISTER:  Thank you, Chair.

17                    Again, I'd like to thank the members  
18    of the Committee for making time this morning.  
19    Again, we know that all of you are volunteers.

20                    First, I'd like a question for Brad  
21    and Elizabeth because I'd like to modify the agenda  
22    somewhat, maybe replace Advocacy with Education on  
23    Roman Numeral IV(a).

24                    Does that make sense to everyone?

1           WEBER: Certainly.

2           CHAIRMAN ANDERBERG: Yeah.

3           MEISTER: Okay. Great.

4                        So -- so we've provided the members  
5 with a memo. And, again, as Eric indicated, we were  
6 surprised, but we were not alone in our surprise.  
7 And frankly, Eric and I had the opportunity to be in  
8 Washington on October the 10th. We met with  
9 Congressional staff. We actually were at an  
10 infrastructure briefing at the White House.

11                       And while we were cautioned that, of  
12 course, everything that we heard could be changed at  
13 a moment's notice, with no notice to us, that  
14 certainly the direction of the discussion was that --  
15 that private activity bonds, which account for  
16 approximately 24 billion of our 25 billion in  
17 outstanding conduit bonds, the vast majority of that,  
18 not -- not -- of that 24 billion is nonprofit  
19 organizations for capital projects. That they  
20 were -- that the conventional thinking, at least as  
21 of October 10th, was these were -- these were not on  
22 the table. And indeed, there was some indication  
23 that possibly -- and again, these were discussions  
24 since November of 2016, that the direction of federal

1 policy may well have been towards expanding private  
2 activity bonds for other purposes given -- given the  
3 very large private sector and capital markets  
4 component of them.

5           So last Thursday morning, we were  
6 surprised. I think lots of people were surprised.  
7 And so, obviously, Eric and I have been in  
8 discussions. I've been in discussions with various  
9 members of our board and, of course, Staff and other  
10 stakeholders, whether it's the organizations that  
11 represent fellow issuers, NAHEFFA in the nonprofit  
12 sector, or the issuers that represent economic  
13 development, pri- -- private, corporate, and  
14 individual borrowers like CDFA.

15           We've also been in touch with the --  
16 or actually the Government Finance Officers  
17 Association, GFOA, has been in touch with us, and of  
18 course, we're keeping the Governor's Office and all  
19 of our public stakeholders advised.

20           So obviously, a threat to our very  
21 existence causes us to think deeply about who we are,  
22 what we do, the value that we provide. And -- and I  
23 came up with this rather short definition, is that  
24 the Authority Board Members and Staff, we're stewards



1 and operate a public utility that operates -- that  
2 provides a financial benefit. It operates on a  
3 margin business within a relative value market. And  
4 I think the fact that the municipal bond market  
5 nationally, is a relative value market. And the  
6 proposed elimination of private activity bonds  
7 eliminates the margin of economic value that the  
8 Authority and all private activity market  
9 participants provide.

10 And while we have many allies -- and  
11 I've named some of them -- and many stakeholders,  
12 we've also been in touch with at least one rating  
13 agency and received any number of communications from  
14 national law firms, national banks -- have been in  
15 communication with some of those national banks.

16 I just want to stress to everybody it  
17 does not appear that we are on the anybody's  
18 do-or-die list, and so it falls upon us to educate  
19 folks to make the case of the value that we provide.  
20 I think it's worth noting how much the Authority  
21 punches above its weight in Illinois for economic  
22 impact. We're run by 13 volunteer Board Members; we  
23 have 12 employees; we have 4 temporary staff. Our  
24 operating budget is about \$4 million a year. Our

1 employees are not in the state pension nor are we  
2 tied to the state budget in any sort of operational  
3 sense.

4           But I've been in State Government  
5 since 2003. Before the Authority, I worked for the  
6 State Department of Commerce and Economic  
7 Opportunity. And I would -- it's difficult for me to  
8 think of any similarly-sized organization and budget  
9 that has such disproportionate positive impact on our  
10 state.

11           I would -- because -- I would point  
12 everyone to a 2013 national economic study by one  
13 of -- an organization that we're a member of, the  
14 National Association of Health Education Facilities  
15 Finance Agencies, NAHEFFA. And they estimated in  
16 2013 that, nationally, the elimination of private  
17 activity bonds, for nonprofit only, would cost  
18 nonprofits an additional \$166.3 billion in interest  
19 expenses, reduce the national gross domestic product  
20 by \$23.6 billion, and lose just over 299,000 jobs  
21 generating \$15.6 billion in labor income.  
22 Considering we're about, you know, we're the fifth  
23 largest economy and population in the country, we can  
24 work down from there.

1                   But I do want to go over these  
2 questions, because they're good ones, and I  
3 understand that the Authority members probably have  
4 them, and it's -- I wanted to address them in some  
5 detail.

6                   Again, as I mentioned, 24 billion of  
7 our outstanding 25 billion outs- -- conduit bonds  
8 that are outstanding would be affected going forward,  
9 under the elimination proposed by Subtitle G of  
10 Section 3601 of House Resolution 1.

11                   This private activity bonds,  
12 including -- and the vast majority of those are  
13 nonprofits. There are some private businesses and  
14 individual beginning farmers, but those are  
15 relatively small numbers. This represents  
16 approximately 96 percent of the Authority's current  
17 outstanding portfolio. Now, these would not be  
18 affected, but we could not do new ones as of  
19 January 1st, 2018.

20                   I think that another -- and this gets  
21 into the details of individual bond issuances and how  
22 they are tied to interest rates and bond documents,  
23 but if there was a reissuance for tax purposes or a  
24 refunding after January 1st, 2018, it appears that

1 these refunded, refinanced, or reissuance for tax  
2 purposes, that the interest on these bonds may well  
3 be taxable. This has become, I think, particularly  
4 important since such a large percentage of our  
5 portfolio is composed of bank direct purchases.

6 So let's talk about revenue. Again,  
7 as I mentioned, we operate on just over \$4 million a  
8 year. We operate very lean and we've operated in the  
9 black. But for the last two years, and again, we've  
10 had the additional revenue from the Clean Water  
11 Initiative State Revolving Fund on behalf of Illinois  
12 Environmental Protection Agency, and the reworking of  
13 this program began in 2013, but it really accelerated  
14 with speed in September of '16, going down and  
15 continuing until September 17. And, of course, we  
16 have the future runway on that.

17 But, you know, I just want to remind  
18 the Board Members that the efforts of IEPA and our  
19 ability to partner with them, on a national rankings  
20 between '89 -- 1989 and 2012, Illinois was ranked  
21 about 20th in the country in capacity expansion under  
22 the State Revolving Fund. And between 2013 and  
23 September of 2017, we now have \$1.2 billion, and that  
24 ranks us fourth nationally during that time period.

1           It's an incredible impact and IEPA has  
2 done an amazing job taking these funds and getting  
3 them out to Illinois local governments in the form of  
4 low interest loans and reducing the taxes and  
5 interest obligations of those local governments and  
6 their taxpayers across the state.

7           But for the last two years, again,  
8 we've had two -- two diversifications: The Clean  
9 Water Initiative State Revolving Fund and a legacy  
10 declining asset in the form of about 70 local  
11 government alternate revenue bond sources, but it's  
12 been about 66 percent. That's what private activity  
13 bonds represent to the Authority. And, of course,  
14 our model here is that the authority has paid at  
15 closing on a one-time basis. Other authorities have  
16 annual fees, but that has not been our model. And we  
17 understand, particularly from our nonprofit  
18 borrowers, that they appreciate the one-time --  
19 one-time fee.

20           In the years before that -- and,  
21 again, there have been one-time -- one-time revenue  
22 increases due largely to legacy -- unanticipated  
23 legacy benefits, but the issuance of private activity  
24 bonds has accounted for between 55 percent and 79

1 percent of the Authority's revenue.

2 So any questions on the revenue impact  
3 to the Authority?

4 (No response.)

5 MEISTER: Great.

6 CHAIRMAN HORNE: Hey, Chris -- Hey, Chris, it's  
7 Bob.

8 I don't know if -- if there's any  
9 votes in this meeting, I've got to leave in about  
10 five Minutes.

11 MEISTER: Right.

12 CHAIRMAN HORNE: I apologize.

13 MEISTER: We will -- thank you. I'll just  
14 handle things very quickly from that.

15 The State Revolving Fund is not -- is  
16 not impacted by that proposal. Do we have any going  
17 concern issues? We do not, as Chairman Anderberg  
18 indicated. We have reserves, and the -- at least I  
19 am, but certainly the Board is also committed to the  
20 staff to continuing operations, and, by extension, to  
21 our universe of borrowers.

22 And I just want to leave on -- the  
23 final point is page 48 of the document put out by the  
24 House Ways and Means Committee last Thursday

1 indicates that the rationale for eliminating private  
2 activity bonds is that the federal government should  
3 not subsidize borrowing costs of private businesses  
4 allowing them to pay lower interest rates while  
5 competitors with similar credit worthiness are unable  
6 to avail themselves.

7 I've highlighted why that is not the  
8 case. And there is an MIT economist, Dr. James  
9 Poterba, who issued a study that indicated that the  
10 savings that the joint commission on taxation  
11 indicated, \$38.9 billion over 10 years, in papers in  
12 2008 and 2011. That may be overestimated by  
13 something in the order of 40 to 50 percent.

14 We do have a resolution on the agenda  
15 for both of Executive Committee and the Board.  
16 That's for Open Meetings Act. I think that it's  
17 probably discussion purposes only, but I just wanted  
18 to keep that available to the Board.

19 Chairman?

20 CHAIRMAN ANDERBERG: And I -- yeah. I think,  
21 to follow-up on Chris -- Chris's comments, we're not  
22 going to do a resolution, but we're going -- what the  
23 IFA, along with other agencies and associations that  
24 are affected by this, we need to do some deep and

1 quick education to the House Ways and Means Committee  
2 because the statement that they put out is -- is,  
3 personally, or my business perspective, is disturbing  
4 if they're making federal tax policy based on  
5 something that is completely not true and unfounded.

6           There is no advantage given to one  
7 entity over another by using tax-exempt bonding. If  
8 you qualify for tax-exempt bonding, as we all know,  
9 your competitor would as well. It's just not -- it's  
10 a false statement.

11           So we -- it's clear, I've been told in  
12 the past, when I've lobbied on Capital Hill for  
13 manufacturing, for my own business, if you're not at  
14 the table, you're on the menu. And we need to be --  
15 we need to be at the table here in a large way the  
16 few days to make sure this -- we can get this knocked  
17 out.

18           So either way -- the IFA will survive  
19 either way and we will -- we'll diversify like we've  
20 been wanting to do, and either way we'll continue  
21 operation. So...

22           With that, is there any other business  
23 to come before the Committee?

24           BRONNER: Nope.



1 CHAIRMAN ANDERBERG: Any public comment?

2 (No response.)

3 CHAIRMAN ANDERBERG: Okay. Hearing none, I  
4 would like to get a motion to adjourn the meeting.

5 MR. KNOX: So moved.

6 CHAIRMAN ANDERBERG: Motion by Mr. Knox.

7 Do I have a second?

8 CHAIRMAN HORNE: Second.

9 CHAIRMAN ANDERBERG: Second by Mr. Horne.

10 All those in favor?

11 (Chorus of ayes.)

12 CHAIRMAN ANDERBERG: Opposed?

13 (No response.)

14 CHAIRMAN ANDERBERG: The ayes have it.

15 Thank you.

16 MEISTER: Thank you.

17 FLETCHER: The time is 8:29 a.m.

18 (Which were all the  
19 proceedings had.)

20

21

22

23

24

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.

10

11

12

Certified Shorthand Reporter

13

No. 084-004805

14

15

16

17

18

19

20

21

22

23

24