

1 ILLINOIS FINANCE AUTHORITY BOARD
2 BOARD OF DIRECTORS REGULAR MEETING
3 September 10th, 2015 at 9:30 a.m.

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7 Report of Proceedings had at the Meeting of the
8 Illinois Finance Authority Board of Directors Regular
9 Meeting on September 10th, 2015, at the hour of 9:30,
10 pursuant to notice, at 160 North LaSalle Street, Suite
11 S1000, Chicago, Illinois.

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1 APPEARANCE:
2 ILLINOIS FINANCE AUTHORITY BOARD OF DIRECTORS

3 MR. R. ROBERT FUNDERBURG, Chair
MR. ERIC ANDERBERG, Member
4 MR. JAMES J. FUENTES, Member
MR. ROBERT HORNE, Member
5 MR. ADAM ISRAELOV, Member
MS. ARLENE JURACEK, Member
6 MR. LERRY KNOX, Member
MR. BARRETT PEDERSON, Member
7 MR. JOHN B. YONOVER, Member
MR. TERRENCE M. O'BRIEN, Member

8
9 PRESENT TELEPHONICALLY:

10 MS. GILA J. BRONNER, Member
MR. MICHAEL W. GOETZ, Member
MR. ROGER POOLE, Member

11
12 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

13 MR. BRAD FLETCHER, Assistant Vice-President
MR. RICH FRAMPTON, Vice-President
MS. MELINDA GILDART, CFO
14 MS. PAMELA LENANE, Vice-President
MS. ELIZABETH WEBER, General Counsel
15 MS. SIX GRANDA, Controller

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1 CHAIRMAN FUNDERBURG: Good morning, everyone.
2 Thank you for coming. I would like to call to order
3 the Board Meeting of the Illinois Finance Authority.
4 Brad, would you take a voice vote, please,
5 roll call?

6 MR. FLETCHER: Certainly. Mr. Anderberg.

7 MR. ANDERBERG: Here.

8 MR. FLETCHER: Mr. Fuentes?
9 MR. FUENTES: Here.
10 MR. FLETCHER: Mr. Goetz on the phone?
11 MR. GOETZ: Here.
12 MR. FLETCHER: Mr. Horne?
13 MR. HORNE: Here.
14 MR. FLETCHER: Mr. Israelov?
15 MR. ISRAELOV: Here.
16 MR. FLETCHER: Mr. Juracek?
17 MS. JURACEK: Here.
18 MR. FLETCHER: Mr. Knox?
19 MR. KNOX: Here.
20 MR. FLETCHER: Mr. O'Brien?
21 MR. O'BRIEN: Here.
22 MR. FLETCHER: Mr. Pooler on the phone?
23 MR. POOLE: Here.
24 MR. FLETCHER: Mr. Yonover?
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1 MR. YONOVER: Here.
2 MR. FLETCHER: And Mr. Chairman?
3 CHAIRMAN FUNDERBURG: Here.
4 MR. FLETCHER: Mr. Chairman, at this time there
5 are more than eight members in the room. We have a
6 quorum.
7 CHAIRMAN FUNDERBURG: Thank you. The next item
8 on the agenda is the approval of the agenda. Is
9 there a motion to approve the agenda?
10 MR. HORNE: So moved.
11 MR. ANDERBERG: Second.

12 CHAIRMAN FUNDERBURG: All those in favor please
13 say aye?

14 (A chorus of ayes.)

15 CHAIRMAN FUNDERBURG: Any opposed?

16 (No response.)

17 CHAIRMAN FUNDERBURG: Motion approved. Next
18 order of business is the presentation and
19 consideration of Item 8 on the Project Reports and
20 Resolutions.

21 MR. FRAMPTON: Thank you, Mr. Chairman. Item 8
22 is the resolution ratifying and confirming
23 resolution 2015-0813-NP02 adopted August 13, 2015,
24 and providing for the issuance of not to exceed

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1 \$585,000,000 in bonds for the benefit of The
2 University of Chicago.

3 This resolution is a housekeeping matter
4 that will conform and sync up the resolution with
5 terms across all documents approved and presented in
6 connection with this financing at the August 13th
7 Board Meeting.

8 CHAIRMAN FUNDERBURG: Okay, great. Thank you.
9 Any further discussion or questions?

10 MR. ISRAELOV: Chairman Funderburg, I would
11 like to recuse myself from the consideration and
12 deliberation and voting of this Item No. 8.

13 Two of the partners at my employer sit on
14 the board of directors with entities that are
15 affiliated with the University of Chicago.

16 CHAIRMAN FUNDERBURG: So noted. Thank you very
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17 much. That being said, I would like to call for a
18 motion to adopt that resolution.

19 Is there such a motion?

20 MR. KNOX: So moved.

21 MR. FUENTES: Second.

22 CHAIRMAN FUNDERBURG: Further discussion?

23 Questions?

24 MR. FLETCHER: On the motion, I'll call the
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1 roll. Mr. Anderberg?

2 MR. ANDERBERG: Yes. Mr. Fuentes?

3 MR. FUENTES: Yes.

4 MR. FLETCHER: Mr. Goetz?

5 MR. GOETZ: Yes.

6 MR. FLETCHER: Mr. Horne?

7 MR. HORNE: Yes.

8 MR. FLETCHER: Mr. Israelove?

9 MR. ISRAELOV: Abstain.

10 MR. FLETCHER: And the reason for abstention,
11 for the record?

12 MR. ISRAELOV: Two partners at my employer sit
13 on the board of directors of entities that are
14 affiliated with the University of Chicago.

15 MR. FLETCHER: Duly noted. Thank you.

16 Ms. Juracek?

17 MS. JURACEK: Yes.

18 MR. FLETCHER: Mr. Knox?

19 MR. KNOX: Yes.

20 MR. FLETCHER: Mr. O'Brien?

21 MR. O' BRIEN: Yes.
22 MR. FLETCHER: Mr. Poole on the phone?
23 MR. POOLE: Yes.
24 MR. FLETCHER: Mr. Yonover?
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1 MR. YONOVER: Yes.
2 MR. FLETCHER: And Mr. Chairman?
3 CHAIRMAN FUNDERBURG: Yes.
4 MR. FLETCHER: Mr. Chairman, the motion
5 carries.
6 CHAIRMAN FUNDERBURG: Thank you. Next under
7 the remarks I would just simply like to welcome two
8 new members to the Board of Illinois Finance
9 Authority. Arlene Juracek, thank you for joining.
10 Welcome. Adam Israelov, thank you for joining.
11 MR. ISRAELOV: Thank you very much.
12 CHAIRMAN FUNDERBURG: I look forward to working
13 with you. Chris?
14 MR. MEISTER: And I'll echo the Chairman's
15 remarks and look forward to working with you both
16 and welcome to the Authority and to volunteer state
17 public service.
18 CHAIRMAN FUNDERBURG: Okay. Nothing further,
19 then, I would like to ask for a motion to approve
20 the adoption of the minutes of the last meeting.
21 MR. ANDERBERG: So moved.
22 CHAIRMAN FUNDERBURG: Is there a second?
23 MR. KNOX: Second.
24 CHAIRMAN FUNDERBURG: All in favor, please say
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1 aye.

2 (A chorus of ayes.)

3 CHAIRMAN FUNDERBURG: Next up is the
4 presentation and consideration of the financial
5 report. Ms. Gildart.

6 MS. GILDART: Good morning, everyone. My name
7 is Melinda Gildart. I'm the CFO for the Illinois
8 Finance Authority; and for this month's
9 presentation, we will take a look at the status of
10 the FY15 fiscal year and then go into fiscal year
11 2016 results.

12 So for the general operating --

13 MR. MEISTER: Excuse me, for the members of the
14 Board, the financial analysis is located in your
15 manila folder.

16 MS. GILDART: Everyone have it? For the
17 general operating fund, revenues, expenses and net
18 income, for our fiscal year recap, the Authority
19 closed our books for fiscal year 2015 this week, and
20 we are currently working on the preparation of the
21 annual GAAP package to the Illinois Comptroller, in
22 addition to the two-year compliance audit with the
23 Auditor General, the preparation of financial
24 statement, in addition to the preparation of the

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1 comprehensive annual financial report.

2 So the unaudited fiscal year 2015 results

3 as of today, we are still at just over a
4 \$4.3 million in total annual revenues and just under
5 \$4,000,000 in total annual expenses.

6 We have \$294,000 that came from the
7 special reserve from the Illinois Rural Bond Bank
8 per the FY14 defeasance, and that overall
9 calculation gives us a total unaudited net income of
10 \$640,000.

11 Are there any questions on FY15?

12 MR. MEISTER: Melinda, could you just briefly
13 explain the GAAP package process, how the
14 Comptroller comes into it, and what it stands for,
15 just quickly?

16 MS. GILDART: The generally-accepted accounting
17 practices, accounting principles, is the standard
18 for U.S. organizations. It's called the U.S. GAAP,
19 the United States GAAP, Generally-Accepted
20 Accounting Principles, and the Illinois Comptroller
21 pretty much works with all the different agencies
22 within the State of Illinois, over 300 of them,
23 including component units and other districts, to
24 roll up all of that information into the statewide

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1 comprehensive annual financial report.

2 So it's a tedious process with the
3 different systems and methods of recordkeeping with
4 the different agencies. So the comptroller's
5 process currently now is to have everyone prepare a
6 GAAP package, which makes it a little bit more
7 consistent in how they receive the data, and makes

8 it easier for them to roll the information into the
9 statewide report.

10 And as a component unit of the State of
11 Illinois, the Illinois Finance Authority is required
12 to develop their GAAP package, in addition to our
13 own separately-issued financial statements and
14 comprehensive annual financial report, so that we
15 may comply with the Illinois State statute.

16 MR. HORNE: Can you explain on this one, too,
17 just this net transfers in? I'm not sure I'm clear
18 on what that was.

19 MS. GILDART: Sure. At the end of FY14, as of
20 June 30th, 2014, the Authority, the fees, bonds that
21 were outstanding, previously moral obligation bonds
22 from the Illinois Rural rule Bank, it was about
23 \$36.3 million in bonds, after the bonds and the
24 fees.

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1 And per that defeasance, it freed up
2 various moneys that were locked in, due to the
3 existing bond indentures. So once the bonds were
4 defeased, we were allowed to use those moneys in any
5 way we see fit. They are now unrestricted funds.

6 So there were remaining funds left over in
7 the reserve, in addition to over a million dollars
8 that were freed up that we previously transferred as
9 of June 30th of last year. So this is the amount
10 that was remaining for FY15.

11 MR. HORNE: Got it. Thank you.

12 CHAIRMAN FUNDERBURG: Okay. Any other
13 questions? Comments? Okay, if not, then is there
14 motion to accept the financial reports?

15 MR. FUENTES: So moved.

16 CHAIRMAN FUNDERBURG: Is there a second?

17 MR. O'BRIEN: Second.

18 CHAIRMAN FUNDERBURG: All in favor, please say
19 aye.

20 (A chorus of ayes.)

21 CHAIRMAN FUNDERBURG: Any opposed?

22 (No response.)

23 CHAIRMAN FUNDERBURG: Okay, thank you. Now if
24 we could move to procurements.

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1 MS. GILDART: For this month's procurement
2 report, it's also included in the folder. We have
3 new contracts signed with ADP and Accounting
4 Principles for our employee benefits and temporary
5 staffing, in addition to our court reporter here
6 today, and also for Microsoft Virtual servers that
7 we need for IT.

8 We have contracts that have expired, our
9 marketing firms. We have the Baker Tilly contract
10 for the new market tax credit, and our legislative
11 services contract is also due to the expire at the
12 end of this month.

13 In addition, we have several contracts
14 related to our energy-efficiency program, which are
15 due for renewal as of October and November, in
16 addition to our 38 firms that comprise our legal

17 pool, which starts terminating as of February 2016.

18 MR. MEISTER: And for the benefit of the newer
19 Board members, our procurements are the way that we
20 obtain our goods and services as governed by the
21 Illinois Procurement Code, which is -- I would
22 characterize it as a regulatory-type of structure.

23 It is heavily regulated. This board does,
24 based on some 2013 legislation, does have a partial

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1 exemption for legal services, financial services,
2 for transactions for which the State of Illinois is
3 not obligated, but there is still a rather robust
4 administrative structure.

5 And again, Melinda serves the dual role as
6 our agency procurement officer; and as we move
7 forward, and you attend more meetings, you will be
8 hearing more about the procurement structure in our
9 state, and I will also be speaking to it on Tab
10 No. 10 under the resolutions section.

11 CHAIRMAN FUNDERBURG: Okay, thank you. Thank
12 you. There are no committee reports for this month,
13 so we'll move on to the presentation.

14 I would like to ask the Board if you
15 generally approve of us taking these into the
16 general consent altogether, unless there is
17 something anyone would like to pull out for specific
18 consideration.

19 Is that agreeable as we've done in the
20 past?

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(A chorus of ayes.)

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22 MR. EVANS: I'm Patrick Evans. I'm the ag
23 lender analyst, and today the first topic I have is
24 the beginning farmer bonds. For the new members,

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1 the beginner farmer bonds are federal agent
2 instruments.

3 MR. POOLE: Could you get closer to the
4 microphone?

5 MR. MEISTER: Patrick, why don't you come on
6 up.

7 MR. EVANS: Sure.

8 MR. MEISTER: Patrick, actually a little
9 closer.

10 MR. EVANS: Sure. The beginning farmer bonds
11 are federally-exempt instruments to lending banks.
12 These bonds are purchased by the bank, and they are
13 structured by the bank.

14 They do not exceed 30 years, and usually
15 interest rates reset 3-, 5- and 10-year periods.
16 Often the bank uses the IFA program. This IFA
17 program, along with the FSA beginning the farmer
18 bond program, which FSA subordinates this first
19 position to IFA, or to the bank that holds the IFA
20 bond, reducing the risk and hopefully retaining a
21 long-term customer for the bank.

22 Today we have three beginning farmer
23 bonds. The first one is Tyler Loshen. Vermillion
24 County has a bank that will retain 63.57 percent of

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1 the \$525,000 land purchase or \$333,750 of debt.
2 IFA will provide a beginner farmer bond.
3 This will be a 30-year bond, with an initial rate of
4 3 percent adjustable after 5 years.

5 The interest rate would not -- the
6 interest rate adjustment would not exceed
7 1.5 percent of the Wall Street prime, with a floor
8 of 3 percent. The principal will be paid annually with
9 interest paid on a semi-annual basis.

10 The second one is Bryant and Shannon
11 Rister. Peoples Bank will retain 50 percent of the
12 \$196,200 land purchase, or \$98,100 on the IFA debt,
13 will be a beginning farmer bond.

14 This will be a 30-year bond, with the
15 initial interest rate of 3 percent adjustable after
16 three years. The interest rate will be equal to
17 prime minus 25 basis points.

18 The interest rate would be adjustable --
19 will not adjust more than 1 percent at any
20 adjustment period. Also, there will be a floor
21 relating to the interest rate not to fall below
22 1 percent.

23 The final one is Travis Rovey, National --
24 First National Bank of Litchfield will retain

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1 57.5 percent of the \$800,000 land purchase or
2 \$460,000 of debt. On this debt, IFA will provide a

3 beginning farmer bond. pm9-10-15last9).txt

4 There will be a 30-year bond with an
5 initial interest rate of 3 percent, adjustable every
6 5 years at 85 percent of the Wall Street general
7 prime.

8 The interest rate should never fall below
9 3 percent or increase above 11 percent. There's
10 also an interest rate cap for the adjustment period
11 of 2 percent.

12 Any questions?

13 MR. HORNE: So the terms that you've mentioned,
14 there are different loan terms for pretty much every
15 loan? Those are being set by the bank, not by us?

16 MR. EVANS: Yes. And the risk is incurred by
17 the bank. We are a conduit through the bond.

18 MR. HORNE: Got it, okay.

19 MR. EVANS: Okay? Any other questions?

20 CHAIRMAN FUNDERBURG: Thank you, Patrick.

21 MR. FLETCHER: Okay, Mr. Chairman, members of
22 the Board. I'm Brad Fletcher. I'll be presenting
23 Tab No. 2, which is Nazareth Academy, and Nazareth
24 Academy is coming to your consideration for a

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1 proposed one-time final bond resolution of not to
2 exceed \$23.5 million.

3 The proposed transaction will enable
4 Nazareth, which is a catholic college preparatory
5 high school in the western suburbs to refund its
6 outstanding Series 2006 bonds, as well as make
7 various capital improvements.

8 Approval of this transaction effectively
9 will convert the outstanding Series 2006 bonds,
10 which are backed by a letter of credit, to bank
11 direct purchase debt. They are moving over to
12 MB Financial.

13 Likewise, MB will also be undertaking
14 their new money bonds that they will be issuing.
15 This financing is a culmination of Nazareth's
16 strategic planning, which first began back in 2012.

17 Because Nazareth is non-rated, you will
18 note that on page 7 of the report, we prepared a
19 forecast, which shows that we suspect -- excuse me,
20 expect that they will generate sufficient operating
21 cash flows to cover the proposed debt service.

22 The new money bonds will be issued with
23 maturity not to exceed 30 years, while the refunding
24 bonds will be an 8-year bullet maturity.

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1 I can take any questions at this time.
2 Thank you very much.

3 CHAIRMAN FUNDERBURG: Thank you.

4 MR. FRAMTON: Okay, Mr. Chairman, members of
5 the Board, Tab 3 is a preliminary bond resolution
6 for Norwegian Lutheran Bethesda Home Association.

7 It's a preliminary bond resolution. The
8 not-to-exceed amount is \$8,000,000. As proposed,
9 the bond proceeds will be used to refinance existing
10 debt, including \$616,000 of IFA Series 2012 bonds.

11 Additionally, a line of credit with

12 current balances outstanding of \$400,000, the
13 proceeds of which are currently being used to
14 finance construction of the addition that will
15 ultimately be taken out with proceeds of this bond
16 issue, when they are issued later this year.

17 Finally, an estimated \$7,000,000 of new
18 bond proceeds will be used to demolish a vacant and
19 outdated building on their campus and replace it
20 with a new 16-bed skilled nursing center.

21 The focus of the nursing center is
22 rehabilitation services. On page 4 of the report,
23 the third paragraph from the bottom explains a
24 business relationship or partnership that Norwegian

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1 has with Alliance Rehabilitation Services.

2 They have been focusing on providing rehab
3 services for physical therapy, occupational therapy,
4 as well as speech therapy, and the bulk of these
5 skilled nursing beds will be occupied by
6 private-paid patients.

7 And if you flip to page 7 of the report,
8 in the financial statements and review, you will
9 note that the borrower has posted substantially
10 improved revenues, and as well as cash flows
11 available to pay debt service, which is EBIDA.

12 The primary driver of that has been an
13 increase in the percentage of private-pay nursing
14 patients. Since 2012, their private-pay payments
15 have increased by 50 percent, while from
16 approximately 2.2 million to 4.8 million.

17 At the same time Medicaid -- I'm sorry,
18 Medicare payments have been dropping. So a
19 fundamental element of their business plan has been
20 to increase private pay.

21 And that, in fact, has been coupled with
22 expense management that really took root during
23 fiscal '14, produced substantially improved
24 operating results in 2014; and going forward, they

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1 expect the new beds to fill during 2016 and 2017,
2 and again their focus is on private pay.

3 And in terms of the structure,
4 MB Financial Bank will be the bond purchaser. The
5 best way to think about how this project is
6 structured, it's essentially a tax exempt commercial
7 loan.

8 MB is the relationship banker for
9 Bethesda, and they provide all operating lines and
10 other credit facilities, and that will continue
11 going forward. MB is also the purchaser of their
12 2012 bonds.

13 And with that, I'm prepared to take any
14 questions.

15 CHAIRMAN FUNDERBURG: Okay, no questions.
16 Thank you very much.

17 MS. LENANE: Good morning. I think we are on
18 my first tab, it's Tab 4, Plymouth Place, Inc. It's
19 an exciting morning today because we're in the
20 market in New York selling \$500,000,000 worth of

21 Advocate double A rated bonds, and pricing is going
22 on as we speak.

23 And they are being priced very well,
24 accepted by the market. No Illinois fact on the
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1 long end of the bond curve. So I'm very happy about
2 that, and the Villa of St. Benedict is closing this
3 morning, as we speak with no problems. So just a
4 little update so you know, and you may see the
5 Advocate in the newspapers.

6 So anyway, Plymouth Place is coming for a
7 final bond resolution. They came last month for a
8 preliminary bond resolution. Plymouth Place is the
9 senior living facility located in LaGrange Park.

10 Some of you may have seen it driving. You
11 see some of it from the road, as you drive down the
12 main drag. I can't think of the name of it right
13 now. LaGrange Road, exactly.

14 But they are financing \$65,000,000 to
15 reimburse themselves for the construction and
16 equipment, and going forward on some new independent
17 living cottages at 315 North LaGrange Road.

18 They are also refunding a portion of their
19 2005 A bonds, since rates are favorable. They are
20 funding working capital and funding a debt service
21 reserve in paying the expenses.

22 They are not rated. They are expecting to
23 get a rating from Fitch double B plus.

24 Unfortunately, that double B plus is non-investment

1 grade. You have to be a triple B. Right?

2 MR. FRAMTON: Triple B minus.

3 MS. LENANE: Triple B minus to be investment

4 grade. They are requesting a waiver of the

5 investment criteria of even an investment firm,

6 investment criteria, to sell in denominations of

7 less than 5,000 -- denominations of \$5,000 or more.

8 That is subject to the IFA approval of a

9 feasibility study that we've seen a draft of but are

10 waiting for a final copy next week. The financials

11 contained in this report reflect what the

12 feasibility study projects are going forward.

13 Plymouth Place has 182 independent living

14 apartments, 55 independent living cottages, 52

15 assisted living units, 26 memory support living

16 units, and 86 nursing care beds, and they are really

17 almost always 90, 95 percent full. They have a very

18 good track record and good occupancy rates.

19 I'm going to take you over to -- because

20 really the only changes are the updated sources and

21 uses, and we just sort of cleaned it up a little,

22 the numbers, the new funding escrow, the

23 redevelopment money. There are no construction jobs

24 because the new money, the \$2,000,000 is being spent

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1 on soft costs, architects, plans, preparation of the

2 land and things like that.

3 If we go back to the financials on
4 page 6 -- let me see, page 7. Page 7 you'll see
5 that the ratio, the current ratio for their six
6 months unaudited of 2015 is 1.32; and the
7 projections over '15, '16 and '17 are 1.34, 1.9 and
8 1.81.

9 When you get to hospitals later, you're
10 going to see the debt service ratios are much
11 higher; but in this particular area of senior
12 living, these are the ratios that we see, and then
13 they have 370 days cash on hand.

14 MR. YONOVER: Has something happened with this
15 business because even if you annualized 2015
16 numbers, it's half of what their previous years are
17 and what they are forecasting forward.

18 MS. LENANE: I don't think so.

19 MR. YONOVER: I'm looking at it wrong?

20 MS. LENANE: No. Well, no. You might be.

21 MR. YONOVER: So on \$6.8 million for 6 months
22 annualized to 2014, and they've been doing it at
23 about 27, and they are forecasting 27?

24 MS. LENANE: I'm looking at '14. Where are we
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1 Looking at?

2 MR. YONOVER: Page 7.

3 MR. HORNE: Further assets.

4 MR. YONOVER: Revenue and support.

5 MS. LENANE: 6,000,000, you're right. Let's
6 see.

7 MR. YONOVER: It's just inconsistent. I don't
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8 understand.

9 MS. LENANE: I'll be happy to go check that.

10 MR. HORNE: 106 months.

11 MS. LENANE: Pardon. Yes, 106 months. It's
12 not right. I don't think it's right.

13 MR. YONOVER: It's probably an error in the
14 report, I would think.

15 MS. LENANE: Yeah. I have Steve Johnson from
16 Zigler Investments Banking Company, who is the
17 banker on this project. Steve, can you answer this?

18 MR. JOHNSON: There may be a typo. Let me
19 look.

20 MS. LENANE: Would you E-mail --

21 MR. JOHNSON: The one thing about senior
22 living, I'll just comment on.

23 MR. MEISTER: Steve, describe your relationship
24 to the transaction.

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1 MR. JOHNSON: On the main parties on the deal.
2 I financed the original project in 2005 and a bank
3 takeout in 2013. Now we're doing this deal. It's
4 taking out the 2005 deal.

5 The financials on the continuing care
6 retirement communities have a component in it that,
7 for those of you who look at the financials all the
8 time, don't always see, which is the payout of
9 entrance fees. When someone passes away in the
10 community, they have to be refunded an entrance fee.

11 So you can't look at year-over-year

12 financials and say one year to the next year. They
13 are based on actuarial tables. So periodically, I
14 think the combination of what I think may be a typo
15 in the report here.

16 MS. LENANE: I think it's a typo.

17 MR. JOHNSON: And then when -- I'm just giving
18 you the kind of eye-level view of entrance-fee
19 accounting, you'll periodically see fluctuations in
20 debt service coverages as a functions of actuarial.
21 So I'll take a look at what we got here.

22 MS. LENANE: Will you E-mail Jason?

23 MR. JOHNSON: I'll E-mail Jason.

24 MS. LENANE: It's supposed to be 26.

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1 CHAIRMAN FUNDERBURG: Two issues. One, thank
2 you for your explanation of that.

3 MR. JOHNSON: Yes.

4 CHAIRMAN FUNDERBURG: More importantly, though,
5 is issue of the typographical error, and we need to
6 get that resolved before we take action on it.

7 MS. LENANE: Absolutely.

8 CHAIRMAN FUNDERBURG: Okay, thank you.

9 MS. LENANE: Okay. Any other questions? Thank
10 you for seeing that.

11 MR. JOHNSON: No problem.

12 MS. LENANE: It's nice to know somebody is
13 reading my stuff.

14 MR. YONOVER: I'm looking, Pam. I think it's
15 really great.

16 MS. LENANE: I know, it's heartwarming. So,
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17 okay, Mr. Chairman, you want me to move on?

18 CHAIRMAN FUNDERBURG: Please proceed.

19 MS. LENANE: Okay. The next tab, we're on
20 Tab 5, Palos Community Hospital is requesting a
21 final bond resolution, a one-time consideration, to
22 advance refunds their 2007 A bonds and to refund
23 their series 2015 A bonds.

24 Now, some of you who may have been here in
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1 May will remember that we approved issuing those
2 bonds, the 2015 A bonds, as a bank private placement
3 with JP Morgan in May. Rates have moved, in their
4 eyes, considerably, and they may have had some
5 issues with JP Morgan Bank and they are refunding
6 those bonds.

7 This is the first time I've ever seen a
8 refunding of bonds that were issued like four months
9 ago, five months ago. So it's unusual, but the
10 explanation seems to be correct.

11 This is the first time it's coming to the
12 Authority. Well, it came in May. So we've all
13 looked at this credit as late as May, for those of
14 us who were here.

15 They carry a double A minus Fitch rating.
16 This is a bank direct purchase with a consortium of
17 banks consisting of BMO Harris, U.S. Bank and
18 Capital One, and a portion will be floating index to
19 Libor, and another portion will be fixed.

20 Palos is located in -- it has 369 bed

21 capacity located in Orland Park as their main
22 facility. They also have facilities in Lemont, Oak
23 Lawn and Palos Heights.

24 If we go back to the financials, as you
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1 can see for their 2014 audited financials, they had
2 4.62 debt service coverage, and 1,020.6 days cash on
3 hand. They have the most cash on hand of any
4 hospital in Illinois I think.

5 So I think there's a back story to the
6 bank change, but I don't want to go through it.

7 CHAIRMAN FUNDERBURG: Okay.

8 MS. LENANE: Publicly.

9 CHAIRMAN FUNDERBURG: Okay. Thank you on that
10 one.

11 MS. LENANE: Okay. Any questions? Riverside
12 Health System located in Kankakee and Iroquois
13 County, Illinois, they are coming for a preliminary
14 bond resolution.

15 They are currently refunding the Series
16 2004 IFA bond, and also currently refunding the 2006
17 A IFA bond for a total of \$37,000,500. This is a
18 preliminary bond resolution. Riverside is currently
19 rated A2 by Moody's and A plus by Standard & Poors.

20 This will be a bank private placement with
21 a bank to be determined. They have RFPs out right
22 now right for a bank. I think we can go back to
23 their largest facility is 312 beds. Well, licensed
24 for 312 beds, 247 beds in operation in Kankakee.

1 They have been to the Authority before,
2 have issued debt through the Authority. If we go to
3 page 6, we'll see their debt service coverage is
4 3.89 and their days cash on hand is 424; therefore,
5 the ratings that they received. Any questions?

6 Okay, Sarah Bush Lincoln is seeking
7 approval, a preliminary approval, for a \$300,000,000
8 in tax exempt bonds. Did I say 300? What's a zero
9 amongst friends. 30,000,000.

10 I got two other things going on at the
11 same time here. I'm triple tasking. Anyway, they
12 would like to fund the final 10,500,000 of a
13 \$48,000,000 master plan, facility plan, 8,700,000 of
14 construction and renovation of medical surgical
15 units at their hospital, and the main hospital in
16 Mattoon; and \$6,900,000 construction of a new
17 cardiology wing, and approximately \$2,500,000 of
18 on-campus infrastructure and renovation of Central
19 Sterile, and construction of a new clinic in Toledo,
20 Illinois, which is located in Cumberland County.

21 So we're happy when we see these projects
22 coming from different parts of the state. It's very
23 nice. And their counsel is here today if you have
24 any questions, Dan Beck, from Chapman and Cutler.

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1 So they have an underlying rating of A
2 plus, and this also as a bank private placement with

3 the bank to be determined. They have their RFPs out
4 for banks.

5 I think the most important thing, if we go
6 back to their financials on page 6, their debt
7 service coverage is 15.1 for their FY2015 unaudited,
8 and they have 361 days cash on hand. They are very
9 strong. Any questions?

10 CHAIRMAN FUNDERBURG: Okay, thank you.
11 Congratulations, too, on your closing today. That's
12 great.

13 MS. LENANE: Thanks.

14 CHAIRMAN FUNDERBURG: Mr. Evans, please.

15 MR. EVANS: Today I'm presenting Boehne Farms,
16 Berkley and Vaughn Boehne. In October of 2014 --

17 MR. MEISTER: Excuse me, Pat, the document is
18 located in the manila folders.

19 MR. EVANS: Correct. Sorry about that. Your
20 documents are located in the manila folder. It's a
21 memo.

22 MR. YONOVER: What's it look like, Pat?

23 MR. EVANS: Here we go.

24 MR. PEDERSEN: Thank you.

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1 MR. FLETCHER: It's a memo and resolution in
2 the manila folders.

3 MR. YONOVER: Okay.

4 MR. PEDERSEN: Which one would it be in?

5 MR. EVANS: It looks like this.

6 MR. MEISTER: No, it is Boehne. I'm sorry,
7 it's clipped to the resolutions. It looks like this

8 document.

9 MR. YONOVER: You see it, Pat?

10 MR. MEISTER: You're on it, Eric.

11 MR. EVANS: You found it.

12 MR. PEDERSEN: No, but I'm still searching. I
13 got it.

14 MR. EVANS: There you go.

15 MR. PEDERSEN: So it's in the one that is
16 clipped resolution number, and then it's about the
17 eighth or ninth one in.

18 MR. HORNE: Got it.

19 MR. EVANS: Does everybody have it now?

20 MR. HORNE: Yep.

21 MR. EVANS: In October of 2014, Illinois
22 Finance Authority approved Agri-Debt Guarantees for
23 Vaughn and Berkley Boehne. There's two guarantees,
24 each guarantee in the amount of \$500,000, for a
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1 total of \$1,000,000.

2 These loans are secured by a perfected
3 first mortgage on 113.168 acres of row crop farmland
4 in DeKalb County. The liens are verified via a
5 title policy that we received a copy of from the
6 bank, Resource Bank. The loans are also guaranteed
7 by Boehne Farms Trucking, LLC, and Boehne Farms of
8 Shabbona, LLC.

9 Presently, each loan has exposure to IFA
10 of \$422,273, I'm sorry, for a total exposure of
11 \$844,546. They are cross-collateralized by the

12 113.6 acres of farmland valued at \$1.432 million.

13 Resource Bank is requesting IFA to
14 authorize Boehne Trucking, Boehne Farms Trucking,
15 LLC, for capital purchases related to a livestock
16 trailer and a drag -- manure drag line. These
17 purchases would be financed by Waterman State Bank,
18 who has been financing Boehne Farm Trucking since
19 2011.

20 The purchases have been approved by
21 Resource Bank, subject to IFA's approval. As
22 stated, this is a -- this request is for a guarantor
23 of the Vaughn and Berkeley Boehne IFA loan
24 guarantees. These loans will not impair the

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1 collateral of IFA guarantees.

2 It will leverage Boehne Farms Trucking,
3 Limited; however, it should also improve the cash
4 flow. Projections forecast the debt coverage to be
5 1.75 times debt service.

6 Boehne Farm Trucking, LLC, is an important
7 component of the Berkeley and Vaughn Boehne, as it
8 diversifies their overall operation. The trucking
9 entity has 8 trucks hauling everything from Pepsi
10 products to livestock manure.

11 Per Resource Bank, the crops relating to
12 the farm operation, which is our entity, look good.
13 The Boehnes have marketed slightly over 50 percent
14 of their crops at a 4. -- \$4.30 price versus a
15 preseason budget of \$4.25.

16 In addition to this, Boehne -- I mean,
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17 Resource Bank anticipates the Boehnes to receive the
18 government payment relating to it. It used to be a
19 direct payment, now it's an allocated one based upon
20 price, plus possibly crop insurance payments.

21 Although the commodity prices are low, I
22 believe the farm operation will generate adequate
23 funds to meet their yearly -- this year's debt
24 obligation, including IFA's and Resource Bank's

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1 guaranteed loan.

2 Based upon the underlying terms of the IFA
3 guarantee loans will be maintained. IFA guarantee
4 will remain at least secured by perfected first
5 interest in 113.61 acres; and as noted, on page 4 of
6 the confidential information, the exposure -- IFA's
7 exposure to appraised value is at 59 percent as of
8 6-30-15.

9 Most importantly, default to any other
10 lender that results in a call on a personal
11 guarantee, IFA is in first position. Any debt would
12 be an a subordinated position.

13 Despite the increase in consolidated
14 leverage for Boehne Trucking operation, the possible
15 risk from a personal guarantee is pretty much
16 eliminated, due to the substantial first position of
17 our loan guarantee and security.

18 Based upon the information presented, I
19 recommend IFA consent and propose an equipment loan
20 for the Boehne Trucking, Farm Trucking, LLC,

21 originated by Waterman State Bank and consented to
22 by Resource Bank. Any questions?

23 MR. ANDERBERG: Those appraisals are when?

24 MR. EVANS: They were in 6-14.

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1 MR. YONOVER: There is no change in the
2 securitization of the loan?

3 MR. EVANS: There's no change.

4 MR. YONOVER: So they have to come to us any
5 time there's a material change, and they want to
6 borrow more money?

7 MR. EVANS: That was one of the criteria
8 because of the leverage position, our leverage
9 position.

10 MR. YONOVER: Thank you.

11 MR. ISRAELOV: Why was the loan originally
12 provided to the individuals rather than an entity?
13 I notice that the trucking entity is owned by the
14 two members that a loan was originally provided to.

15 MR. EVANS: You mean our original loan?

16 MR. ISRAELOV: Yes, what's the relationship
17 between those two individuals and that entity, and
18 why was the original loan provided to the
19 individuals rather than the entity?

20 MR. EVANS: The original loan is for
21 refinancing farmland, the million dollars is. It's
22 owned by the individuals, the farmland is.

23 The trucking firm is owned by the
24 individual equally, but it's a separate entity,

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1 usually set up for liability purposes.

2 MR. ISRAELOV: And what's the relationship
3 between the trucking business and the farming
4 business.

5 MR. EVANS: The ownership.

6 MR. ISRAELOV: But are they in the same
7 business?

8 MR. EVANS: The farming is a separate entity
9 set up for the purpose of row crop, and the trucking
10 is an individual entity set up for the purpose of
11 trucks of hauling.

12 MR. ISRAELOV: Are the two businesses related?

13 MR. EVANS: Through the ownership.

14 MR. ISRAELOV: But are the operations of the
15 business related? Are the operations of the two
16 individuals, the farm --

17 MR. EVANS: They complement each other. They
18 are not related. They complement each other,
19 because they provide diversification.

20 A lot of times an entity is set up for
21 liability, should there be an accident with a truck.
22 It's a limited liability, and that's usually how
23 farmers set up their trucking operation is separate
24 so they don't come back on the trucks, on the farm.

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1 MR. ISRAELOV: Okay. Just one other question,
2 and this is for the benefit of all the Board

3 members. I'm curious at what the economic cost is
4 to the IFA of consenting to a second -- the
5 secondary guarantor, the trucking entity to taking
6 out this additional loan.

7 So just kind of speaking in a little bit
8 more detail to that, if the loan was provided today,
9 and the second party guarantor, the trucking entity,
10 took on the debt, what interest rate would it have
11 been charged by the bank to these two individuals
12 for the loan; and what would the interest rate be,
13 if they did not take on that additional debt because
14 that difference --

15 MR. EVANS: Our rate wouldn't change.

16 MR. ISRAELOV: It would not change?

17 MR. EVANS: No, because we're not taking on any
18 additional debt. The Waterman State Bank is taking
19 on the additional debt; and our guarantee is set up
20 with Resource Bank, who finances the agricultural
21 part of it versus Waterman is financing the
22 trucking.

23 MR. ISRAELOV: Right, I understand. But when
24 Resource Bank originally loaned the money to the two

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1 individuals, there were a few guarantors, IFA, as
2 well as Boehne Farms Trucking, right, and Boehne
3 Farms Shabbona, correct; and now Boehne Farms
4 Trucking, one of the guarantors, is taking on -- is
5 wanting to take on additional debt, right?

6 MR. EVANS: Correct.

7 MR. ISRAELOV: If Boehne Farms Trucking took on
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8 that -- had that additional debt, right, at the time
9 the loan was originally issued by Resource Bank, I
10 presume there would have been a different interest
11 rate charged?

12 I'm not sure of that, but that's what I'm
13 asking you.

14 MR. EVANS: That would be up to Resource One --
15 I mean, Resource Bank, because we don't set the
16 terms of the guarantee. We just guarantee based
17 upon the financial impact. Based on the financial
18 numbers and everything, we guarantee the agriculture
19 debt.

20 So the terms would be set by the bank,
21 just not to exceed a normal interest rate. Like,
22 for example, if the bank charged everyone else 5
23 percent, they would charge 6 percent on this one
24 because it's guaranteed.

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1 MR. ISRAELOV: Okay. Well, just as a note to
2 the Board, I think it's important to understand what
3 the actual economic cost is of us approving this
4 guarantee to the secondary guarantor, and just to be
5 able to balance the cost with the benefit that we're
6 providing by consenting to the secondary guarantor
7 receiving this loan.

8 MR. MEISTER: Rich?

9 MR. FRAMTON: Yeah. One point here is this
10 additional debt by a corporate guarantor does not
11 affect or impair IFA or the bank's underlying

12 collateral.

13 The collateral value of the 113.61 acres
14 of row crop farmland remains intact; and
15 fundamentally, Resource Bank is looking at the
16 farming operation as a stand-alone business. In the
17 same sense, Waterman State Bank is looking at the
18 trucking business also as a stand-alone business.

19 And as we see on these operations, on the
20 fundamental farming operation, the lending bank,
21 just as a standard condition, requires guarantees
22 from all of the borrower's affiliates; and one thing
23 that does affect us a bit here from leverage is the
24 fact that we requested and require consent for any

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1 additional debt, including by an affiliate, as in
2 this case. This has no bearing on that.

3 MS. LENANE: That's what I'm saying.

4 MR. FRAMTON: It's any additional leverage
5 incurred by the borrower directly or any corporate
6 affiliate.

7 MS. LENANE: Right, that's why we're asking for
8 consent today.

9 MR. ISRAELOV: Thank you for that information.
10 So you mentioned just kind of as a regular course of
11 business, the bank asks for a guarantee of
12 affiliated parties, right?

13 So I think what my question is looking at
14 is for the IFA to kind of balance, right, the cost
15 with the benefit, and what I'm trying to determine
16 is what is the cost.

17 So would the interest rate have been
18 different, if one of the guarantors, so here the
19 trucking entity, had additional debt burden, right,
20 would the interest rate of the lender be higher than
21 it would have if they did not?

22 MR. FRAMTON: That's always a possibility, but
23 that would be Resource Bank's prerogative to
24 determine at the time they price the loan.

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1 MR. YONOVER: Rich, for clarity, the loan that
2 we're discussing today, this Board is not doing
3 anything in terms of guarantee?

4 MR. FRAMTON: That is correct. It is remaining
5 intact.

6 MR. KNOX: This loan is not subordinated to our
7 loan. It is a separate loan completely.

8 MR. EVANS: Correct.

9 MR. FRAMTON: It's a separate loan, and that
10 being said, given that the principals of Boehne
11 Trucking are the -- are actually the borrowers on
12 our loan, if there were a blowup on Boehne Trucking,
13 which resulted in a call on the personal guarantees
14 of the owners, any claims by Waterman State Bank on
15 the IFA/Resource Bank collateral would have a
16 subordinate interest in this 113.61 acres of row
17 crop farmland.

18 CHAIRMAN FUNDERBURG: Okay. At this point,
19 we're going to move on. If there are any additional
20 questions in this particular matter, Adam, I hope

21 that answered your question. I think it's a little
22 difficult because we're trying to measure kind of an
23 opportunity cost, assuming two hypotheticals.

24 So it's somewhat of a difficult question

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1 to answer, but if you still have further questions,
2 or anybody else has further questions regarding
3 economic cost versus benefit to IFA regarding this,
4 or any other loan, you know, please follow up with
5 staff, but I hope for now that has addressed your
6 question.

7 MR. ISRAELOV: Thank you.

8 CHAIRMAN FUNDERBURG: Okay, thank you. So that
9 being said, I would like to move on. Executive
10 Director Meister.

11 MR. MEISTER: Thanks, Mr. Chairman. Actually,
12 we're going to do yours after we do Items 10 and 11.
13 We wanted to make sure everything was locked down.

14 So in your manila folders, at the very
15 end, or almost to the end of the clips labeled
16 "Resolution," there are two memos right after the
17 Boehne document, and they look like this. They are
18 from -- it's tabbed -- they are labeled Tab 11 and
19 12.

20 MR. FLETCHER: 10 and 11.

21 MR. MEISTER: Oh, I'm sorry, 10 and 11. Thank
22 you, Brad.

23 MR. PEDERSEN: Are you talking in the book?

24 MR. MEISTER: No, not in the book, in the

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1 manila folder.

2 MR. PEDERSEN: Thank you.

3 MR. MEISTER: The first -- and previously I
4 mentioned the procurement regulations. We're
5 seeking approval from the Board to move forward with
6 two actions under the Procurement Code.

7 The first is to go forward with a
8 conventional Procurement Code regulated procurement
9 for a financial advisor for a joint program that we
10 have with the Illinois Environmental Protection
11 Agency. This is known as the State Revolving Loan
12 Fund.

13 A couple of years ago in 2013, and I've
14 attached to the memo the first page of an Official
15 Statement from 2013 labeled "Illinois Finance
16 Authority and Illinois Environmental Protection
17 Agency." It's called the Clean Water Initiative,
18 and its technical name is the State Revolving Fund.

19 This is AAA rated paper. It is unlike the
20 majority of our conduit projects that the members of
21 the Authority address month in and month out.

22 Basically, what it is, is a program whereby the
23 state EPA receives federal money, and with a partial
24 state appropriated match, and turns around and makes

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1 low-interest loans to local governments across the
2 state for sewer and drinking water projects.

3 It's been extraordinarily successful, and
4 the 2013 deal we closed in November of 2013, it was
5 AAA rated. It was a natural AAA, and we priced
6 these bonds with no Illinois penalty, which was
7 really outstanding, given that it was priced in the
8 weeks before pension reform was passed initially in
9 2013.

10 We do have two financial advisors that are
11 vendors that are on board, Acacia Financial and
12 Sycamore, both are women-owned companies, and both
13 went through the procurement process.

14 The State Revolving Fund is a rather
15 unique federal/state local FA structure. It's going
16 to market, which we don't know the time, but it
17 could be coming up. It requires, in my view, the
18 use of a qualified financial advisor. And what we
19 would like to do is go out, test the market, see
20 what comes in, work through the procurement
21 regulations.

22 Also, in your manila folders, there's a
23 document that we'll ask all of you to sign, either
24 before the end of the meeting or shortly after the

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1 meeting. It's required by the Procurement Code that
2 all of you, as Board members, as well as Melinda,
3 myself, other members of the staff that are working
4 with this procurement, sign a confidentiality
5 statement.

6 And we'll test the market, and hopefully
7 we'll get a highly-qualified financial advisor, with

8 a deep and broad experience in State Revolving Funds
9 that will help us more effectively structure and
10 price any upcoming State Revolving Fund bond issue
11 that may be on the horizon, both for the people of
12 Illinois, for our client, the Illinois Environmental
13 Protection Agency, and for all the local governments
14 across the state that ultimately benefit from these
15 low-interest loans.

16 Just one note. The benefit of the 2013
17 deal was IEPA and IFA refunded some '02 and '04
18 loans. We freed up about \$45,000,000 in debt
19 service reserve funds, and the long and the short of
20 it is that we borrowed 140 plus million dollars at
21 AAA rates, and we took a \$400,000,000 capacity loan
22 program and turned it into a \$800,000,000 capacity
23 loan.

24 MS. GILDART: Unaudited.

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1 MR. MEISTER: Unaudited. Thank you, Melinda.
2 I'll take questions on that point.

3 MR. O'BRIEN: What confidential agreement are
4 you referring to? I saw it somewhere.

5 MR. MEISTER: Yes, it's in the manila folder.

6 MR. O'BRIEN: What are we supposed to keep
7 confidential?

8 MR. MEISTER: It's a requirement of the
9 Procurement Code, and it's an abundance of caution,
10 especially since when we work through the project,
11 this will -- this award we'll be likely coming back

12 to this Board, and I'll go over the document with
13 you after the meeting.

14 Lerry is actually holding it in his hand,
15 and it's in the manila folder.

16 MR. O'BRIEN: I don't understand what you said,
17 but I'll be glad to meet with you afterward.

18 MR. MEISTER: Great. The second procurement
19 item is there is an avenue under the State
20 Procurement Code called a request for information,
21 and this enables -- will enable the IFA to basically
22 test the market for the full breadth of
23 possibilities under our statutes and programs.

24 And we could send it out there, and
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1 lawyers, investment bankers, financial advisors,
2 other financial professionals and lenders would be
3 invited to come in with their ideas, their
4 proposals.

5 It is a public process, and it's one that
6 I would recommend proceeding on, and I ask for a
7 favorable vote on Tab No. 10. Any questions?

8 MR. KNOX: The only question I have is for Item
9 No. 2, are we going to do this one time, or is this
10 something we should just do quarterly, annually or
11 semi-annually?

12 MR. MEISTER: Yes. This is our first time --
13 this is our maiden voyage doing it. What I hope we
14 do is that it becomes a regular practice, and the
15 world of financial advisors, lawyers, bankers, other
16 professionals that we deal with, that there would be

17 predictable process so that when they have ideas,
18 they would know, and I think it's a great suggestion
19 to do it quarterly.

20 MR. KNOX: Okay.

21 CHAIRMAN FUNDERBURG: Or with some degree of
22 frequency.

23 MR. MEISTER: Yes.

24 CHAIRMAN FUNDERBURG: Just as some background,
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1 too, we want to do everything we can to help propel
2 State of Illinois' economy forward in the best way
3 that we can.

4 We also operate in this world of
5 constraints of procurement, other regulations; and
6 really what we would like to do is open up to the
7 world to -- if they've got great ideas for us to
8 consider, we would like to hear it; but we would
9 like to hear from everybody, have everybody have an
10 equal chance to come in and give us their ideas.

11 Anything you want to add to that?

12 MR. MEISTER: No.

13 CHAIRMAN FUNDERBURG: Okay. All right, all
14 set?

15 MR. MEISTER: Yes.

16 CHAIRMAN FUNDERBURG: Okay. Then next I would
17 like to go back --

18 MR. MEISTER: Oh, wait, we have Tab 11, which
19 was the memo directly below that. For those newer
20 to the Board, and for the longer-tenured members of

21 the Authority, we have a sister agency, the
22 Department of Central Management services.

23 The new director is Tom Tyrrell. We had
24 extraordinarily positive working relationship with

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1 him during his brief tenure with CMS. He's, in
2 large part, responsible for the great space that we
3 now have that we moved into at the beginning of
4 August here on the 10th floor of the Bilandic
5 Building.

6 Central Management Services, unlike the
7 IFA, is a large agency, and it deals with areas that
8 sort of go into the administrative and regulatory
9 structure of the Illinois State Government.

10 They have expertise, or operational
11 responsibility in real estate, real estate services,
12 procurement, internal audit, human resources, and
13 the particular issues related to Illinois State
14 Government hiring, as well as information
15 technology.

16 I put this on the agenda, after some
17 conversations with Rob, both to inform the Board
18 that there is a large organizational resource that I
19 would like to take a greater degree of advantage of,
20 and they've certainly proven very effective on their
21 brief track record with us in the last couple of
22 months, and I think that the best way to do it is to
23 do an intergovernmental.

24 Frankly, it's my desire to memorialize

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1 these agreements in writing through an
2 intergovernmental agreement, as provided by state
3 statute; and at the same time, since we are
4 receiving these services, that we would negotiate
5 some sort of fee for service or compensation with
6 CMA. And I'll take any questions.

7 MS. BRONNER: This is Gila Bronner. Good
8 morning, everyone. I would like to, Chris, if I
9 may, just suggest that I am very supportive of this.
10 I think this will both allow IFA to avail itself in
11 an efficient and effective manner of services that
12 we find ourselves in need of.

13 Plus, we also have the benefit of having
14 CMS, which is well versed obviously in the
15 regulatory environment of the state. So there is no
16 learning curve. They actually, I think, correct me
17 if I'm wrong --

18 CHAIRMAN FUNDERBURG: Gila, could you go back
19 and just repeat that? You broke up on the phone a
20 little bit.

21 MS. BRONNER: Oh, I'm sorry. I apologize. I'm
22 in a vehicle. What I was saying is that I think
23 this is an efficient and effective way for IFA to
24 avail itself of these services; and as well, given

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1 the fact that CMS is one of the key providers what I
2 would consider to be an agency that sets

3 regulati ons.

4 They are well positioned to tell us what
5 they can and cannot do for us and provide very
6 speci fic guidance in some of the areas in which we
7 operate. That I'm completely supportive of this,
8 and I would encourage my fellow Board members to
9 support this.

10 CHAIRMAN FUNDERBURG: Thank you, Gila. I think
11 I echo those comments, and also I think it just
12 makes sense on a number of different fronts. Thank
13 you for that.

14 Any other additional comments?

15 MS. JURACEK: I'll just chime in. I was the
16 second director of the Illinois Power Agency back in
17 2011, 2012, a tiny agency. It's still down on the
18 fifth floor, like five people in it, and CMS was
19 very helpful to us in similar situations. So I
20 would endorse that.

21 CHAIRMAN FUNDERBURG: Thank you, great. Thank
22 you. All set?

23 MR. MEISTER: Yes.

24 CHAIRMAN FUNDERBURG: I would like to go back
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1 and revisi t Plymouth Pl ace. Well, Pam, do you want
2 to tee this up at all?

3 MS. LENANE: Yes, I can do this.

4 MR. JOHNSON: Go ahead. I'm sorry.

5 MS. LENANE: I can do it. These financi als
6 come over as a page print from the young analyst who
7 does a beauti ful job. It's really my fault. I

8 should have caught this and proofed it, but it
9 should be \$12,000,916.

10 MR. JOHNSON: Then I got one.

11 MS. LENANE: Then he sent another E-mail. It
12 should be 13.

13 MR. JOHNSON: He was in the middle of closing
14 Villa St. Benedict when we caught it. So he was
15 multitasking. The right number is \$13,824,823.
16 Those were three-month numbers that was in the
17 report.

18 MS. LENANE: This is the three.

19 MR. JOHNSON: So he's updated that, and that
20 includes the amortization as well. So that's the
21 right number 13,824,823.

22 MS. LENANE: And we'll correct that. And I'm
23 sorry.

24 CHAIRMAN FUNDERBURG: We have reasonable
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1 assurance that number will be the same an hour from
2 now?

3 MR. JOHNSON: Yes.

4 CHAIRMAN FUNDERBURG: Okay, thank you. Good
5 catch. Thank you.

6 MR. JOHNSON: No problem.

7 CHAIRMAN FUNDERBURG: Okay, that being --does
8 that satisfy people regarding Plymouth? Okay.
9 Thank you.

10 That being done, I would like to ask for a
11 motion to adopt the following projects and

12 resolutions Items 1, 2, 3, 4, 5, 6, 7, 9 and 11.

13 MS. WEBER: Mr. Chairman, I think some Board
14 members joined.

15 CHAIRMAN FUNDERBURG: Yes. Well, Gilais on
16 the phone with us.

17 MR. PEDERSEN: Just make sure the record
18 reflects that Barrett Pedersen came in.

19 CHAIRMAN FUNDERBURG: We've already got that.
20 Thank you.

21 MR. FLETCHER: Duly noted.

22 MS. WEBER: Okay, I just wanted to make sure.

23 MR. FLETCHER: The arrival of Ms. Bronner and
24 Member Pedersen has been noted.

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1 CHAIRMAN FUNDERBURG: Okay. So I would like to
2 call for a motion.

3 MR. ANDERBERG: So moved.

4 MR. PEDERSEN: Second.

5 CHAIRMAN FUNDERBURG: Okay. Brad?

6 MR. FLETCHER: So on the motion for approval of
7 projects 1, 2, 3, 4, 5, 6, 7, 9, 10 and 11, I will
8 call the roll.

9 MR. ISRAELOV: One second, Chairman. Actually,
10 I would like to separate out Item No. 9 and abstain
11 from Item No. 9.

12 CHAIRMAN FUNDERBURG: Okay.

13 MR. PEDERSEN: I move to amend the motion to
14 exclude No. 9.

15 CHAIRMAN FUNDERBURG: Okay. Is there a second?

16 MR. FUENTES: Second.

17 CHAIRMAN FUNDERBURG: Okay. Everybody okay
18 with that?

19 (A chorus of ayes.)

20 CHAIRMAN FUNDERBURG: All right.

21 MR. FLETCHER: And the motion to approve Items
22 No. 1, 2, 3, 4, 5, 6, 7, 10 and 11 of the projects
23 resolution, I'll call the roll.

24 MR. PEDERSEN: I don't mean to be particular
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1 here, but would you clarify whether we need to have
2 a vote on the amendment or not?

3 CHAIRMAN FUNDERBURG: Well, I asked if
4 everybody was okay to with it. I saw no one.

5 MR. PEDERSEN: I don't care.

6 CHAIRMAN FUNDERBURG: All in favor, please say
7 aye.

8 (A chorus of ayes.)

9 CHAIRMAN FUNDERBURG: Opposed?

10 (No response.)

11 CHAIRMAN FUNDERBURG: Okay, thank you for the
12 clarification.

13 MR. FLETCHER: Okay. So I'll call the roll.
14 Mr. Anderberg?

15 MR. ANDERBERG: Yes.

16 MR. FLETCHER: Ms. Bronner on the phone?

17 MS. BRONNER: Yes.

18 MR. FLETCHER: Mr. Fuentes?

19 MR. FUENTES: Yes.

20 MR. FLETCHER: Mr. Goetz on the phone?

pm9-10-15last9).txt
21 MR. GOETZ: Yes.
22 MR. FLETCHER: Mr. Horne?
23 MR. HORNE: Yes.
24 MR. FLETCHER: Mr. Israelov?
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1 MR. ISRAELOV: Yes.
2 MR. FLETCHER: Ms. Juracek?
3 MS. JURACEK: Yes.
4 MR. FLETCHER: Mr. Knox?
5 MR. KNOX: Yes.
6 MR. FLETCHER: Mr. O'Brien?
7 MR. O'BRIEN: Yes.
8 MR. FLETCHER: Mr. Pedersen?
9 MR. PEDERSEN: Yes.
10 MR. FLETCHER: Mr. Poole on the phone?
11 MR. POOLE: Yes.
12 MR. FLETCHER: Mr. Yonover?
13 MR. YONOVER: Yes.
14 MR. FLETCHER: Mr. Chairman?
15 CHAIRMAN FUNDERBURG: Yes.
16 MR. FLETCHER: Mr. Chairman, the motion
17 carries.
18 MR. PEDERSEN: Just to be specific, for the
19 record, the motion was to vote for the amended
20 motion. Thank you.
21 CHAIRMAN FUNDERBURG: Okay. That leaves Item
22 No. 9. I would like to ask for a motion to consider
23 that.
24 MR. YONOVER: Sorry guys, I'm confused. Item 9
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1 is the farm memo?
2 MR. FLETCHER: Yes.
3 CHAIRMAN FUNDERBURG: Do we have a motion for
4 No. 9?
5 MR. FUENTES: I will make a motion.
6 MS. JURACEK: I'll second.
7 CHAIRMAN FUNDERBURG: All the in favor, please
8 aye.
9 (A chorus of ayes.)
10 CHAIRMAN FUNDERBURG: Any opposed?
11 (No response.)
12 MR. FLETCHER: If I may recommend, because it's
13 a project, we should do a roll call, especially
14 since we may have an abstention.
15 CHAIRMAN FUNDERBURG: Okay, thank you.
16 MR. FLETCHER: On the motion by Mr. Fuentes,
17 was there a second?
18 MS. JURACEK: Yes, I did.
19 MR. FLETCHER: Okay, thank you. I'll call the
20 roll on Item No. 9 for approval. Mr. Anderberg?
21 MR. ANDERBERG: Yes.
22 MR. FLETCHER: Ms. Bronner on the phone?
23 MS. BRONNER: Yes.
24 MR. FLETCHER: Mr. Fuentes?
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1 MR. FUENTES: Yes.
2 MR. FLETCHER: Mr. Goetz on the phone?

pm9-10-15l ast9). txt
3 MR. GOETZ: Yes.
4 MR. FLETCHER: Mr. Horne?
5 MR. HORNE: Yes.
6 MR. FLETCHER: Mr. Israelov?
7 MR. ISRAELOV: Abstained.
8 MR. FLETCHER: And the reason for abstention?
9 MR. ISRAELOV: Need for additional information.
10 MR. FLETCHER: Duly noted. Ms. Juracek?
11 MS. JURACEK: Yes.
12 MR. FLETCHER: Mr. Knox?
13 MR. KNOX: Yes.
14 MR. FLETCHER: Mr. O'Brien?
15 MR. O'BRIEN: Yes.
16 MR. FLETCHER: Mr. Pedersen?
17 MR. PEDERSEN: Yes.
18 MR. FLETCHER: Mr. Poole on the phone?
19 MR. POOLE: Yes.
20 MR. FLETCHER: Mr. Yonover?
21 MR. YONOVER: Yes.
22 MR. FLETCHER: And Mr. Chairman?
23 CHAIRMAN FUNDERBURG: Yes.
24 MR. FLETCHER: Mr. Chairman, the motion
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1 carries.

2 CHAIRMAN FUNDERBURG: Okay, thank you. So with
3 that, I would just want to note at some point in
4 time, hopefully soon, I would like you to E-mail me
5 when you have satisfactory answer to your question,
6 please.

7 MR. ISRAELOV: Will do. Thank you.

8 CHAIRMAN FUNDERBURG: Okay. Now, in all
9 seriousness, I would like to know when you're
10 satisfied with that, because that's a good question.
11 Okay, thank you.

12 MS. WEBER: My name is Elizabeth Weber, and I'm
13 general counsel to the Authority. Can everyone on
14 the phone hear me?

15 MR. POOLE: Yes.

16 MR. GOETZ: Yes.

17 MS. BRONNER: Yes.

18 MS. WEBER: Okay, good. I'm here to present
19 Item 12 on the agenda, which is a resolution
20 authorizing the execution and delivery of a proposed
21 mutual release and settlement agreement, relating to
22 two pending court cases, IFA versus Litchfield
23 National Bank in the Circuit Court of Cook County.

24 MR. PEDERSEN: May I have a reminder of where
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1 we're at, with regard to the page number? Because I
2 don't have the paper. We go paperless with the Drop
3 Box. It's which page on the drop box?

4 MS. WEBER: It's Item 12 on the agenda. Does
5 that help you? I'm not sure which page.

6 MR. PEDERSEN: Thank you.

7 MS. WEBER: Did you find it?

8 MR. MEISTER: Item 12 in the Drop Box, too.

9 MR. PEDERSEN: I need to go to Item 12? I have
10 to scroll through. I got page numbers on the bottom
11 left. Thank you, we've got it.

pm9-10-15last9).txt
12 MS. WEBER: Okay. Does everybody have that
13 item handy? So it's a resolution authorizing the
14 proposed mutual release and settlement agreement
15 relating to two pending court cases: IFA versus
16 Litchfield National Bank in the Circuit Court of
17 Cook County, Illinois, County Department, Chancery
18 Division case No. 2013 CH 25534; and the second one
19 is Litchfield National Bank versus IFA, Court of
20 Claims of the State of Illinois, Case
21 No. 14 CC 2737.

22 Both these cases involve an 85 percent IFA
23 guarantee of an agricultural loan made by Litchfield
24 National Bank. The resolution authorizes the

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1 settlement payment by the Authority in the amount of
2 \$155,000.

3 The Board book under Tab 12 has a draft
4 resolution, and a privileged attorney-client
5 communication from outside counsel as well in this
6 matter. In your manila folder is the actual
7 settlement agreement. I think the manila folder
8 also includes the resolution.

9 Under the Open Meetings Act, we can go
10 into closed session to consider litigation, when the
11 action is pending -- filed and pending against us
12 before a court.

13 Does any member wish to go into closed
14 session to ask questions or consider this matter,
15 before taking the resolution for a vote?

16 CHAIRMAN FUNDERBURG: We'll need a motion for
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17 that. Is there such a motion to go into closed
18 session?

19 MR. PEDERSEN: Are you suggesting we go into
20 executive session?

21 MS. WEBER: No, it's only if Board members have
22 questions or would like to discuss it.

23 MR. GOETZ: This is Mike. I read your memo,
24 and I think it's perfectly clear, you know, what

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1 you're recommending.

2 MS. WEBER: Actually, that was a memo of
3 outside counsel, but I do agree with the conclusions
4 in it.

5 MR. GOETZ: Yes.

6 CHAIRMAN FUNDERBURG: I would agree that it's
7 pretty straightforward. Chris, would you say that
8 you put forth your best effort to try to resolve
9 this situation?

10 MR. MEISTER: Absolutely.

11 CHAIRMAN FUNDERBURG: Okay. So with that being
12 said.

13 MR. GOETZ: If it's appropriate, Chairman, I
14 make a motion that we accept the proposal.

15 CHAIRMAN FUNDERBURG: This is Mr. Goetz?

16 MR. GOETZ: Yes, it is.

17 CHAIRMAN FUNDERBURG: For the benefit of
18 keeping records. Is there a second?

19 MR. PEDERSEN: Second.

20 CHAIRMAN FUNDERBURG: Seconded by Mr. Pedersen.

21 All in favor, please say aye.

22 MR. FLETCHER: Let's take a roll. I need
23 approval for Item 12 on the projects and
24 resolutions. So motion by Member Goetz and seconded

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1 by Mr. Pedersen.

2 I'll call the roll. Mr. Anderberg?

3 MR. ANDERBERG: Yes.

4 MR. FLETCHER: Ms. Bronner on the phone?

5 MS. BRONNER: Yes.

6 MR. FLETCHER: Mr. Fuentes?

7 MR. FUENTES: Yes.

8 MR. FLETCHER: Mr. Goetz on the phone?

9 MR. GOETZ: Yes.

10 MR. FLETCHER: Mr. Horne?

11 MR. HORNE: Yes.

12 MR. FLETCHER: Mr. Israelov?

13 MR. ISRAELOV: Yes.

14 MR. FLETCHER: Ms. Juracek?

15 MS. JURACEK: Yes.

16 MR. FLETCHER: Mr. Knox?

17 MR. KNOX: Yes.

18 MR. FLETCHER: Mr. O'Brien?

19 MR. O'BRIEN: Yes.

20 MR. FLETCHER: Mr. Pedersen?

21 MR. PEDERSEN: Yes.

22 MR. FLETCHER: Mr. Poole?

23 MR. POOLE: Yes.

24 MR. FLETCHER: Mr. Yonover?

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1 MR. YONOVER: Yes.

2 MR. FLETCHER: And Mr. Chairman?

3 CHAIRMAN FUNDERBURG: Yes.

4 MR. FLETCHER: Mr. Chairman, the motion
5 carries.

6 CHAIRMAN FUNDERBURG: Thank you. That brings
7 us to Agenda Item Roman Numeral 14.

8 Okay, so that being said, I would like to
9 ask if there is any other business to come before
10 the Board?

11 (No response.)

12 CHAIRMAN FUNDERBURG: No.

13 MR. PEDERSEN: Move to adjourn.

14 CHAIRMAN FUNDERBURG: Actually --

15 MR. PEDERSEN: Can't do it?

16 CHAIRMAN FUNDERBURG: We'll just wait on that
17 for a second.

18 MR. MEISTER: We can move on to Agenda Item
19 No. 15. If you want me to take the lead on that.

20 CHAIRMAN FUNDERBURG: Yes, that would be great.

21 MR. MEISTER: Agenda Item 15, and I'll give a
22 verbal overview. We don't have any documents, but
23 given the Open Meetings Act, and our obligation to
24 operate in a transparent manner, Rob and I thought

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1 it would be a very good idea to complete the order
2 of resolutions, and the order of projects, and give

3 the Board members, because we have a great
4 combination of longer tenured and new Board members
5 to the Authority.

6 And it's my recommendation that we
7 undertake a discussion here about the current state
8 of the Authority, its current programs, and its
9 future; and what Board members see as opportunities
10 and what Board members would like to accomplish.

11 We decided to do this discussion at the
12 end of the agenda, because it would be fresh in the
13 Board members' minds as to what the day-to-day
14 business of the Authority is currently.

15 And I would say that this agenda provided
16 a very good cross-section of the projects
17 resolutions that are likely, that in any given month
18 are typically on an agenda of the resolution. I've
19 spoken with many of you individually.

20 Our primary business currently for the
21 Authority is to be a statewide conduit issuer of
22 tax-exempt debt. I think all of you know what that
23 means is that we are necessary under Federal and
24 State Law. So it's the very real and material

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1 economic benefit of tax exemption to both borrowers
2 and to lenders.

3 These are typically name brand, well-known
4 borrowers. Oftentimes, they are rated by rating
5 agencies, and typically these borrowers have
6 selected either commercial lenders or investment
7 bankers, and even their own financial advisors to

8 structure it.

9 There's very little risk, other than
10 reputational risk, to the Authority. Although, the
11 Internal Revenue Service occasionally sends audit
12 notices first to the IFA before they reach the
13 borrower; and typically, those are resolved with
14 very little drama.

15 And, indeed, it's been years since I've
16 been aware of any time that an IFA conduit bond led
17 to any sort of penalty or repayment by a borrower to
18 the Internal Revenue Service.

19 That being said, the statutory mission of
20 the Authority is much broader than issuing conduit
21 bonds. We have broad statutory authority to make
22 loans, issue conduit bonds, issue taxable bonds, and
23 provide guarantees for nearly any sort of purpose.

24 And I think with that, maybe that sets the
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1 stage, Mr. Chairman.

2 CHAIRMAN FUNDERBURG: Sure. Thank you, Chris.
3 So just to step back a little bit, we're all
4 familiar with the issue of the Illinois Finance
5 Authority.

6 I want to thank each and every one of you,
7 both those of you who are newer, and certainly those
8 of you that have been involved for number of years
9 for your volunteer service to the IFA.

10 I think this is a particularly exciting
11 time to be involved with IFA, and I hope you're

12 going to find that to be the case as well.

13 We've got -- we're very well positioned to
14 assist in building the economy of the State of
15 Illinois in a variety of fashions, some of which we
16 are currently doing, others of which we are yet to
17 discover.

18 And that's one of the things that we would
19 like to get feedback from you on as well, regarding
20 our products, our services, different lines of
21 businesses that we can consider in the future that
22 would help drive the Illinois economy.

23 So with just kind of a broader product
24 overview, you know, you've probably looked at the
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1 website. You can see the different products that we
2 use, all of which draw back to the origination of
3 IFA in 2004, was it six different --

4 MR. MEISTER: Seven.

5 CHAIRMAN FUNDERBURG: Seven different entities
6 were consolidated into one, and you can see kind of
7 the history there. Each of those organizations
8 wanted to keep their pieces of business, whether it
9 be in regard to the farmers is a good example.

10 We are internally looking at our various
11 different product offerings as to the relevance and
12 to what degree they accomplish the mission. I
13 wanted to open it up to all of you to see if you
14 have any thoughts or ideas as to how we can better
15 serve the state and the people in the State of
16 Illinois.

17 We talked about venture capital in the
18 past. We do have a little track record in that.

19 MR. MEISTER: I can talk a little bit.

20 CHAIRMAN FUNDERBURG: You want to do like a
21 real quick overview on that?

22 MR. MEISTER: Yes. Thank you. There are
23 venture capital provisions within our statutes, and
24 the venture capital program was initiated and seeded

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1 with a state appropriation; and it was part of a
2 statutory structure going back to the Illinois
3 Development Finance Authority in the -- in I think
4 the 1990s.

5 As one would expect, there was a mixed
6 track record and, Melinda, not to put you on the
7 spot, do you have those? I've got some numbers in
8 my head. I was wondering --

9 MS. GILDART: For venture capital?

10 MR. MEISTER: Yes.

11 MS. GILDART: The remaining balances?

12 MR. MEISTER: No, the all-in loss. Six Granda
13 is our Controller. Six, why don't you stand up.

14 MS. GRANDA: I don't remember the exact
15 numbers, but the actual loss was a little over
16 \$2,000,000.

17 MR. MEISTER: Yes. And that was program-wide.
18 That was going back to the 1990s through the
19 consolidation in January of 2004.

20 Early in the life of the Authority in the

21 space of 2004 until around 2007, there were
22 subsequent investments that were made by previous
23 boards.

24 And the long and the short of it was that
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1 a couple of years ago, we had an audit finding that
2 required us to value -- independently value all of
3 this wide variety of equity involvement that both
4 the Board from '04 to '07 had made, as well as
5 previous Development Finance Authority Boards had
6 made going back to the 1990s.

7 This was also made slightly more difficult
8 by the state law requirement that any bad debt or
9 bad obligation or bad investment by a state actor
10 needed to be written off by the Attorney General of
11 the State of Illinois.

12 Over recent months, for the first time in
13 a number of years, we've actually had some success
14 in that. And Rob's predecessor, the former Chairman
15 Bill Brant, is -- in his day job, was involved with
16 bankruptcy and work out, and he recognized the
17 difficulty of valuing this diverse, and in some
18 cases, aged portfolio of investments.

19 And ultimately, what we had was a very
20 well-publicized public auction, and I think that we
21 netted the grand total of about \$12,000 for those
22 remaining investments, which did allow us to pull
23 down the curtain and draw the line between the old
24 and the new.

1 Subsequently, two of our current board
2 members, all of whom are present, Jim Fuentes, who
3 is the former Chairman of the Venture Capital
4 Committee before we consolidated, but as yet we have
5 not populated the committees back in July, Gila
6 Bronner, who is the former Chair of the Audit and
7 Investment Committee, and again, we've not
8 repopulated the new committees, and Lerry Knox,
9 worked together within the scope of the Open
10 Meetings Act to explore various options and raise
11 proposals to the Board.

12 I will also note that one of the sort of
13 fundamental difficulties, other than the risk in
14 both for a public entity like the IFA, is that
15 venture investment is fundamentally an equity
16 investment, which is fundamentally different from
17 debt, which was what we do the vast majority of the
18 time, although we did have one balance sheet loan
19 several years ago that was structured in a venture
20 way, basically success benchmarks tied to a higher
21 rate of interest.

22 We actually exited that particular
23 investment to a software company with some success,
24 although it was accompanied by some drama because

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1 there were various officials that had some interest
2 in that particular deal, and we were getting calls

3 on it; but ultimately, the borrower paid off, and
4 paid off at the interest rate that was called for
5 under the contract.

6 So that's the background.

7 CHAIRMAN FUNDERBURG: That's a pretty extensive
8 background. So as we go forward, if any of you are
9 suggesting that we go into the venture capital
10 business, you might encounter some adverse feelings.

11 Just a couple of other things I just want
12 to draw attention to is a value that IFA has been
13 able to add in other regards as well, and I'll just
14 welcome Emily Bastedo and Ed Murphy, representatives
15 from the Governor's administration here.

16 We've had a tremendous amount of support
17 from them and the whole team. It's been extremely
18 helpful going forward for me, for Chris, and the
19 staff, and all of you, whether you know it or not.

20 But also I believe IFA has been able to be
21 helpful in other regards as well. We've kind of
22 developed the motto, "Do we want to be problem
23 solvers?"

24 MR. MEISTER: Yes.

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1 CHAIRMAN FUNDERBURG: "Not problems to be
2 solved." So that's kind of what we -- our approach.

3 MR. MEISTER: Yes.

4 CHAIRMAN FUNDERBURG: You know, so there have
5 been examples of where we've been able to add value
6 to help out in other ways as well.

7 Arlene, do you have a comment?

8 MS. JURACEK: I have an observation, and I'm
9 glad that the governor's representatives are here
10 because my thought stems from the fact in addition
11 to being the Mayor of Mount Prospect, I also have a
12 farm out in Carroll County, so I'm familiar with
13 some of the rural organizations there.

14 And I know, for example, that the clean
15 water conservation districts are in danger of losing
16 their funding and shutting down. They are offering
17 a number of programs in various arenas, some of
18 which the IFA might enter into some sort of a
19 partnership from or fill the gap on.

20 And then I'm familiar with something
21 called an RC&D. My husband is on the board of
22 Blackhawk Hill RC&D. It's now the Blackhawk
23 Regional Council, and I don't normally get on my
24 phone during meetings, but I wanted to get on their

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1 particular website, the Blackhawk Hills Council --
2 the mission of the Blackhawk Hills regional Council
3 is to assist the people and local agencies of
4 Northwest Illinois in developing and implementing a
5 regional outlook that will enhance economic growth,
6 workforce development, natural resource conservation
7 and quality of life.

8 And this council happens to work -- it's
9 based on Rock Falls, and it serves Carroll,
10 Jo Davies, Lee, Ogle, Stephenson and Whiteside.

11 So I disclosed my husband's, you know,

12 participation on the board. There is obviously no
13 financial benefit to us, other than public service
14 being on here; but perhaps looking at all of these
15 regional councils throughout the state, again, which
16 are suffering from funding shortages, that perhaps
17 there is some way the IFA can be a conduit in
18 assisting in some of their efforts.

19 It's going to require a lot of homework
20 and research. I have no solution, but with the
21 opportunity presented --

22 CHAIRMAN FUNDERBURG: Okay, this is something
23 perhaps Patrick and Rich can take a look at. Okay?
24 It's great.

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1 Why don't we just go around the table, you
2 know, for just open discussion for thoughts and
3 ideas. Keep in mind this still is an open meeting,
4 so just for the record. Yes, Jim.

5 MR. FUENTES: I had one comment, just to make
6 sure our public relations that we get credit for
7 this, you know, Advocate Triple A rating that was
8 mentioned. I just want to make sure we have public
9 relations people involved. Make sure we're so
10 noted.

11 MS. LENANE: Double A. There is only one AAA.

12 MR. FUENTES: Again, the Illinois tax it's not
13 there, but in a positive way, I wouldn't really
14 necessarily say the Illinois tax. Let's say, you
15 know, our contribution at least is there, that
16 should help us drive some business.

17 CHAIRMAN FUNDERBURG: You know, I think that
18 brings up a broader issue of IFA brand awareness,
19 and I think it is a very well-kept secret in the
20 state.

21 I was just simply aware of it because of
22 my profession, but I think it's a pretty well-kept
23 secret, and I think your question or comment raises
24 a broader marketing and branding opportunity.

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1 MR. GOETZ: Chairman, this is Mike Goetz. I
2 was going to bring that up. We've really got hardly
3 any programs downstate outside the agricultural
4 sector.

5 You know, there is nobody really marketing
6 the IFA programs, you know, south of I80 or west of
7 Chicago either, like in the Rockford and Rock Island
8 areas.

9 And when the economy, you know, went
10 through its shutdown in 2008 and '09, the IFA
11 really, really cut back, laid off a lot of people.

12 We had an office in Peoria, closed it, you
13 know, and we just really had cut back so far that we
14 really don't have a presence in getting out and
15 marketing our programs to any of the downstate
16 facilities.

17 CHAIRMAN FUNDERBURG: I agree. Thank you for
18 bringing that up. One of the things that we're
19 going to do, just as a reminder, is we're going to
20 get -- we've already got a map, a great map, of the

21 great State of Illinois. We're going to get another
22 map, which we're going to pin where we do projects,
23 just as a physical reminder for all of us.

24 MR. GOETZ: Okay.

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1 CHAIRMAN FUNDERBURG: As to where we are doing
2 business, and we can break that down by product
3 category.

4 We also -- you know, part of your comment
5 begs the question, too, in terms of our product
6 profitability, either in terms of revenue or in
7 terms of, you know, accomplishing our mission.

8 And I think before we start rolling out
9 and marketing, we would want to finish that product
10 review, to see what is really most effective in
11 accomplishing our mission, and in terms of making
12 IFA a going concern and any profitability to the
13 IFA.

14 We're kind of in the middle of those
15 discussions.

16 MR. GOETZ: Right.

17 CHAIRMAN FUNDERBURG: I agree. To better serve
18 our purpose, we need to do a better job of covering
19 all of the state and marketing and building the
20 brand.

21 MR. GOETZ: And not just in agriculture. You
22 know, and I'm a big proponent of our agricultural
23 programs. We've got a lot more to offer, too, to a
24 lot of the smaller and mid-size manufacturers

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1 downstate.

2 CHAIRMAN FUNDERBURG: We've talked, too, about
3 this again in early discussion, but one of the
4 things that Chris and I spent a fair amount of time
5 on is how can we enhance our current product line,
6 how we make it more attractive to our borrowers more
7 effective.

8 MR. GOETZ: Right.

9 CHAIRMAN FUNDERBURG: And, you know, so that's
10 an ongoing discussion as well.

11 MR. GOETZ: I just say, you know, don't forget
12 us down here.

13 CHAIRMAN FUNDERBURG: Well, one of the things
14 we would like to try to do is utilize -- you know,
15 Illinois has the largest network of community banks
16 out of any state in the country.

17 MR. GOETZ: Right.

18 CHAIRMAN FUNDERBURG: And, you know, we are the
19 state's infrastructure bank; and I think through
20 educational programs, marketing, we can reach out to
21 more parts of the state, just by existing
22 infrastructure and through existing community banks.

23 MR. GOETZ: Yes.

24 MR. MEISTER: And again, for the newer Board
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1 members, a couple of years ago, we did do a
2 strategic plan, and I think there were four points

3 that really came out of it that I found very useful.

4 And I've shared with Rob, and some of the
5 other Board members, is that when we're looking at
6 new products, at new investments, at new
7 opportunities, I would suggest that the Board look
8 at four criteria.

9 The first, does it fit within our broad
10 public mission; and again, we're fortunate we have a
11 broad statute. The second is a clearer articulation
12 of risk to the Board, so that the Board fully
13 understands that, you know, the line between conduit
14 and something like a state ag guarantee, something
15 like a contingent taxpayer guarantee, like moral
16 obligation, the difference between a balance sheet
17 loan and a participation loan, and a guarantee and a
18 venture capital, that the staff is meeting our
19 obligation, that we clearly articulate the risk to
20 the organization and to the public funds.

21 So public mission, clear articulation of
22 risk. Since we are an enterprise-driven
23 organization, we need to make sure that we have
24 revenues that are sufficient to keep our doors open,

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1 not just on the near-term basis.

2 But since many of our obligations are
3 decades long that we have the financial structure
4 that we can make the appropriate investments to
5 monitor and do compliance on, you know, frankly,
6 what is 1400 bonds, and I think we've made some
7 progress.

8 We're not there what we need to do. So
9 sort of the revenue -- making sure that the revenue
10 is consistent with both the risk and the long-term
11 compliance obligations.

12 And the final point is that we don't get
13 into a business where we're competing either with
14 private actors, or governmental actors, or other
15 nonprofit actors, sort of a but-for test.

16 I think a lot of what we issue in conduit,
17 we do compete with Home Rule units of government,
18 with Regional Development Authorities, with
19 purported national conduit issues; but the bottom
20 line is I think in Illinois, we have the best name
21 and the best reputation and the highest volume of
22 conduit debt.

23 But for these other areas, we are going to
24 be taking on risk. We need to be clear about the

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1 risk. And for some of the newer Board members, we
2 had a loan that we made to a Regional Development
3 Authority, the Southwestern Illinois Economic
4 Development Authority, SWIEDA, in July.

5 It was not a credit decision. It was a
6 pure appropriation risk, and we did that at the
7 request of the Governor's Office. Really, I think
8 it helped prevent a possible downgrade, because this
9 was a contingent guarantee by another statutory
10 organization that that guarantee was in the budget,
11 and had been appropriated for years, and was at risk

12 of not being appropriated because there was no
13 budget.

14 That was an example where we stepped into
15 a breach, and there was really nobody else that was
16 -- that had the resources or the ability to do that.

17 CHAIRMAN FUNDERBURG: Okay. Great on the four,
18 you know, the four points; and, you know, good
19 example, too, of being nimble and being -- helping
20 being a problem solver.

21 I'm just going to go around the room.
22 Adam, we're going to get you and Arlene last, all
23 right? Because I'll give you, like, 20 more minutes
24 of experience. All right?

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1 MR. ISRAELOV: Good.

2 CHAIRMAN FUNDERBURG: All right, is that good?

3 MR. PEDERSEN: I apologize, is there anything
4 substantive that we need to vote on? I apologize
5 that I have to leave for another meeting. I will
6 share my ideas and thoughts with you at a later
7 time.

8 CHAIRMAN FUNDERBURG: Let's do that, or with
9 Chris. The only thing that we need to vote on is
10 adjournment.

11 MR. PEDERSEN: Do I need to be here?

12 CHAIRMAN FUNDERBURG: I don't think you need to
13 be here for that.

14 MR. MEISTER: No, we have a quorum.

15 MR. PEDERSEN: You have quorum? Oh, thank you
16 very much. I apologize for the inconvenience.

17 CHAIRMAN FUNDERBURG: Not at all. Thank you
18 for being here. Good luck with your other meeting.

19 MR. PEDERSEN: Yes, sir.

20 CHAIRMAN FUNDERBURG: Okay.

21 MR. O'BRIEN: No comment.

22 CHAIRMAN FUNDERBURG: Okay. No comment
23 regarding product or service?

24 MR. O'BRIEN: No. I'm just sitting here and
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1 absorbing what everyone is saying.

2 CHAIRMAN FUNDERBURG: Okay.

3 MR. GOETZ: Terry, aren't you going to suggest
4 we meet in Springfield a couple times a year.

5 MR. O'BRIEN: I'm happy for that.

6 MR. GOETZ: Terry hates coming down south down
7 to Springfield.

8 CHAIRMAN FUNDERBURG: He's going to be our new
9 rep for building IFA south of I80.

10 MR. YONOVER: He's going to Peoria. I don't
11 know that I have a lot of comments here. I feel
12 strongly that job creation is a critical part of
13 what we're doing here.

14 I know we note in each of the deals how
15 many jobs are retained. Very little of that is jobs
16 created. So I think I would like to focus that a
17 bit.

18 I think the Small Business Administration
19 does a really good job for small businesses; and I
20 think, you know, the big businesses don't need

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21 people like us. So there's probably some
22 middle-market area to benefit both specifically in
23 the private sector that I think we should be talking
24 to.

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1 In my short-term, this is my third
2 meeting, I think I've seen one private enterprise
3 for a conduit. I think there's probably -- well, I
4 know there's opportunity that can be in Illinois. I
5 would like to see that.

6 CHAIRMAN FUNDERBURG: That might come with some
7 product enhancement, too, if we ever get that
8 accomplished. Thank you.

9 MR. KNOX: I think that if you look at our
10 statute, and we have broad flexibility and a lot of
11 opportunity to do so many different things that
12 could help the State of Illinois and all sorts of
13 people.

14 I think that there is two areas that are
15 of kind of low-hanging fruit, if you will, that can
16 be used to both enhance product, as well as help
17 drive revenue.

18 It's an autonomous agency, which is really
19 looking at the SRF program and our interaction with
20 that around loan guarantees, which also then leads
21 out into other areas working with other
22 municipalities, with other districts and
23 communities, as it relates to water issues and how
24 we're supporting that.

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1 So I think there's an opportunity to
2 really expand and look at SRF program, and our work
3 in the SRF program; and that, you know, tied back to
4 John's point about working with other businesses.

5 There is ancillary businesses,
6 construction projects associated with water works
7 around the state and with other municipalities.

8 The other is, and Chris, this is the local
9 government bond program with other municipalities.
10 What's interesting about that is I think there is an
11 opportunity there where, historically, I'm
12 probability wrong, but we have the ability to
13 provide double tax exemption.

14 MR. MEISTER: Yes.

15 MR. KNOX: To local governments through the IFA
16 on the paper that's issued. And so as we're really
17 looking down the perils of a rising interest rate
18 environment, that that double-tax exemption becomes
19 very valuable. It also helps smaller municipalities
20 throughout the state get access to credit markets to
21 build.

22 And so we have a benefit within our
23 statute that, you know, for a long time hasn't had
24 much economic value, but going forward may drive

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1 tremendous value, which then leads down the path of
2 products diversification and revenue for us as well.

3 CHAIRMAN FUNDERBURG: Probably part of that is
4 market and communications, education.

5 MR. KNOX: Absolutely.

6 MR. MEISTER: Although, if I could call on Rich
7 to actually both those points, because Rich is a
8 nationally-recognized subject matter expert on the
9 subject of industrial revenue bonds, which is the
10 primary tool that we have under the Federal Tax
11 Code.

12 He also has recent experience with the
13 double-tax exemption for certain local governments.
14 If you could just briefly sort of provide sort of
15 the challenges and the opportunities in both those
16 areas.

17 MR. FRAMTON: One of the problems we had with
18 industrial revenue bonds is the federal statute has
19 not, and the parameters that are involved, in terms
20 of the capital expenditures undertaken by project,
21 hasn't kept pace with inflation or the cost of the
22 projects.

23 The two key limitations on industrial
24 revenue bonds are first the issuance amount that's

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1 been limited to \$10,000,000 since the late '70s.

2 The second pertinent limitation is an
3 overall capital expenditure limit that applies to
4 any project that receives industrial revenue bond
5 financing.

6 Basically what it says is that for any
7 project that obtains industrial revenue bond

8 financing, they are limited to undertaking no more
9 than \$20,000,000 of aggregate capital expenditures,
10 irrespective of how those expenditures are paid for.

11 So if we do an example a \$10,000,000
12 industrial project, that company is limited under
13 the Internal Revenue Code for a six-year period
14 going three years forward, three years back, to no
15 more than \$10,000,000 of additional capital
16 expenditures, irrespective of how that \$10,000,000
17 is financed.

18 It can be equity, you know, if we have --
19 we had a situation a few years ago where we had a
20 company that was consolidating operations in
21 Illinois and Michigan. They were moving some
22 equipment from Michigan.

23 They had to count all the equipment that
24 they had acquired, both in Illinois and Michigan,

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1 and were moving to this combined facility over the
2 prior three years.

3 So another thing we see is that many of --
4 even for the family-owned manufacturing projects,
5 just the building and land in the Chicago suburbs,
6 the project cost is 22 to \$25,000,000, even before
7 any of the equipment.

8 So we've been working through our national
9 membership agency, the Council of Development
10 Finance Agencies, we've been working to develop
11 federal legislation, and there is actually a bill

12 introduced by Congressman Randy Hultgren in June.

13 It's HR2890, which is called the
14 Modernizing American Manufacturing Bonds Act. That
15 would increase the per-borrower bond issuance limit
16 from \$10,000,000 to \$30,000,000.

17 The second thing it would do is it would
18 expand the six-year capital expenditure test from
19 20,000,000 to 40,000,000. So a lot of the projects
20 we are missing, just because they are slightly over
21 the \$20,000,000 aggregate spending limit, we would
22 be able to get. So we've been missing out on a lot
23 of opportunity.

24 The other thing that has been difficult is
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1 given the low interest rate environment we've been
2 facing since 2008 and 2009, the spreads between
3 taxable and tax-exempt rates, are very thin.

4 One requirement that manufacturers have to
5 adhere to on manufacturing projects is if they
6 finance equipment with an industrial revenue bond,
7 they are only allowed to take straight-line
8 depreciation.

9 So that's another impediment, depending on
10 whether there are accelerated depreciation
11 provisions in the code in any given year. That also
12 has affected our business volume from time to time.

13 So that's -- those are some of the
14 challenges and opportunities we face on the
15 industrial side of our statute.

16 As far as on the municipal or local
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17 government side, we have been trying to issue more
18 double-exempt projects, as Lerry has been
19 suggesting. One competitive factor that we have
20 been encountering, there are several regional clones
21 of IFA, and they were granted the statutory power to
22 issue bonds carrying the state tax exemption in
23 addition to the federal exemption.

24 Prior to those changes, only IFA had the
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1 statutory power to convey the state tax exemption.
2 So we actually lost a significant transaction in
3 Morgan County for the Jacksonville School District
4 to the Western Illinois Economic Development
5 Authority.

6 In June, we approved a resolution -- the
7 Board approved a bond resolution for Saline County
8 and, you know, we're hopeful of closing that. In
9 2013, I think we closed six local government issues,
10 and that's certainly an area that we'll be looking
11 to expand going forward.

12 In addition to that, I think there may be
13 opportunities to finance water and sewer projects
14 additionally using the Authority's own funds, and I
15 would suggest that we look at doing that, using an
16 alternative revenue bond structure.

17 MR. KNOX: Could we use our authority if we're
18 going to allow for the water and sewer to allow the
19 municipalities to use that developmental funds that
20 can then be repaid through SRF offering later? So

21 it's kind of a --

22 MR. FRAMTON: To offer a bridging facility?

23 MR. KNOX: Basically a bridge facility for
24 water and sewer for municipalities.

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1 MR. FRAMTON: That would be an area that we
2 could -- that we could certainly look into. We
3 might also look into how we might enter into
4 participations with commercial banks to make that --
5 to perhaps enhance that further.

6 MR. KNOX: Okay.

7 MR. YONOVER: Rich, what is the status on the
8 House of Representative's bill with the bond
9 parameters?

10 MR. FRAMTON: It was introduced with two
11 sponsors. In addition to Randy Hultgren, there was
12 a Democratic sponsor, Congressman Neal, who is on
13 the House Ways and Means Committee.

14 It's been introduced, but it has not been
15 called to the floor yet; but, you know, through the
16 Council Development Finance Agencies, they have a
17 Washington lobbyist who is actively attempting to
18 line up co-sponsors. So that's the current status.

19 MR. MEISTER: And Rich and I met with a
20 representative of Congressman Hultgren's office
21 within the past couple of weeks. He was in town,
22 and then I've also briefed Governor's Rauner's D.C.
23 representative, Cathy Lyden, on the proposal as
24 well.

1 MR. YONOVER: Because it's a game changer for
2 us. If that gets done, I think that makes us more
3 attractive, especially in a rising rate environment.

4 MR. FRAMTON: That's absolutely true. As
5 interest rates rise, the relevant advantage to any
6 taxes on bond increases.

7 MR. FLETCHER: And if I could provide an
8 example, I believe the for-profit company you were
9 speaking of was Edlong Corporation. So that's an
10 IRB manufacturer.

11 We preliminary approved \$20,000,000.
12 Without that change in federal tax law, and that
13 comes back for final consideration, it will be a
14 not-to-exceed 10,000,000. So as much as we love to
15 finance on a tax-exempt basis all 20, federal tax
16 law prohibits us from doing so.

17 MR. YONOVER: Thanks.

18 CHAIRMAN FUNDERBURG: Okay. Lerry?

19 MR. KNOX: I'm done. Thank you.

20 CHAIRMAN FUNDERBURG: Rob?

21 MR. HORNE: I mean, really, my notes are
22 industrial revenue bonds, and how could you do more
23 of that? I think that was a really excellent
24 explanation as to why we're not doing more, at least

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1 in this current environment.

2 I guess the only other comment I have, in

3 terms of products, is, you know, I don't know how
4 we, from my limited time on this board, I'm, you
5 know, hearing how we rarely work closely with banks,
6 whether it is an ag loan or other.

7 And so what are the banks telling us we
8 could help them with? You know, what's our
9 communication, in terms of drawing from them, which
10 is essentially, you know, so that we could add
11 things that would enhance their businesses?

12 CHAIRMAN FUNDERBURG: You know, to answer your
13 question, I think is that if we do a low bid, we
14 could do a lot more. Right now we have a couple of
15 people. Patrick Evans is one. Patrick is located
16 downstate.

17 You'll notice a pattern to the production
18 of some of the beginner farmer bond credits and some
19 of the other things, there is geographic correlation
20 to where Patrick is physically.

21 So that's part of the answer, you know, do
22 we have a physical presence out there. I think
23 there is much better opportunity to use the existing
24 infrastructure of the commercial banks already in

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1 existence throughout the State of Illinois.

2 So to that point, last week Chris and I
3 discussed getting on the agenda for the Illinois
4 Bankers Association annual meeting coming up in
5 June, to see if we could get a spot there to promote
6 the IFA, its products and our services.

7 But I think we could do a lot better job,

8 and if I can seg over to if I were to beat one drum,
9 there are probably a lot, but if I really were able
10 to do one, I would invest in industrial revenue
11 bonds.

12 We know there are some constraints there.
13 I heard the project under \$2,000,000, \$3,000,000
14 probably doesn't make sense. Then we've got a
15 constraint that at the \$10,000,000 level, which may
16 change.

17 But, you know, we need to look at how we
18 can enhance that, how we can create better awareness
19 of it. Because I think in terms of driving
20 manufacturer's jobs, manufacturing jobs, which we
21 all know has a big ripple effect throughout the
22 broader economy, the best tool that we have in our
23 kit is in industrial revenue bond to hit that one
24 particular sector.

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1 I think we do a good job with our ag
2 products. We could probably do better. Again,
3 marketing through existing infrastructure; and then
4 I think broader terms, we need to think about our
5 core revenue source, which is conduit bonds to the
6 healthcare industry.

7 We need to be very mindful. I know we are
8 already discussing it on a regular basis. What
9 happens as that dynamic and that industry changes
10 with additional consolidation over the next period
11 of time. It's top in mind.

12 MR. MEISTER: Actually, I think Pam has some.

13 MS. LENANE: Would you like me to speak?

14 CHAIRMAN FUNDERBURG: Sure, absolutely. It's
15 open conversation.

16 MS. LENANE: Well, I do try to cover the whole
17 state, and next month we'll have a financing coming
18 for Passavant Hospital in Jacksonville.

19 We finance Memorial Health Systems,
20 Hospital Sisters in Springfield, and I tried to get
21 the hospitals south of I80, if not individually by
22 attending Illinois Hospital Association events.

23 Tammy Harter on our staff today, I forget
24 we've got four things going on today, is at the

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1 Illinois Hospital Association Leadership Summit,
2 which is being held in Lombard, and we have a booth;
3 and we're not only including brochures on our
4 conduit financing, but also our med-term cap
5 program, which the Board approved a couple months
6 ago at a meeting, which is for smaller financing.

7 The problem in the healthcare area, if you
8 are doing, say, \$5,000,000 or less, the fees just
9 completely eat up any tax-exempt savings you're
10 going to have.

11 So with this program, we have very, very
12 low fixed fees that are reasonable, and it's sort of
13 an equipment for equipment, but the beauty of this
14 program is they will finance -- we will finance IT,
15 healthcare medical records, and this is something
16 that is really needed.

17 While a lot of people have put in
18 healthcare medical records, they are not connected
19 to their doctors. There's a lot to be done. The
20 ones that put it in earlier, are now completely
21 redoing them.

22 Elmhurst Hospital, the old Center DuPage,
23 not Cadence, but it's part of Northwestern, but
24 they're redoing theirs. So there's a lot things.

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1 there's a good business model in that.

2 I haven't really gotten out enough to
3 promote it. Tammy, as I mentioned is in
4 Springfield, and I'm training her to do healthcare.
5 I think that might broaden our market a little bit
6 more if having a healthcare expert in Southern
7 Illinois.

8 My biggest competition south in I80 are
9 local cities. Local cities will actually do a
10 conduit financing for free, and maybe they hire a
11 lawyer, a local lawyer, who will look at the bond
12 documents on behalf of the city.

13 But in quite a few instances, I've cut our
14 fees on two transactions when I was acting general
15 counsel. I gave the issuer counsel opinion, so they
16 didn't have to pay an issuer counsel, but that's
17 about all I can do.

18 When you compete with a local, they hire a
19 lawyer. They have to go on an agenda. It becomes a
20 political issue, whether the city or county wants to

21 issue those bonds in their own name, because they
22 probably don't understand the conduit nature. So I
23 have a proposal out right now out to a hospital.

24 CHAIRMAN FUNDERBURG: Thank you, Pam. You did
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1 do a good job covering the state. We see that, you
2 know, and we know there is a concentration of
3 healthcare at the population center. So that is a
4 given.

5 You do well with that, and with your
6 marketing. I think you were just out in New York.

7 MS. LENANE: Yes.

8 CHAIRMAN FUNDERBURG: At a conference as well.

9 MS. LENANE: Our major health systems.

10 CHAIRMAN FUNDERBURG: My comments are broader
11 to the changing dynamic that we could expect.
12 There's conversation for strategic planning within
13 the staff.

14 MS. LENANE: Yes, they are too dynamic. I
15 would like to mention one competition with taxable
16 bond issue.

17 If a hospital is large enough, they can
18 issue in a taxable market and not pay as many
19 attorney's fees and processing costs. It's much
20 simpler, and they have no compliance.

21 They don't have to identify assets. Being
22 tax exempt, they can just finance; and we've seen
23 this already here with The University of Chicago and
24 Northwestern University get some taxables.

1 I worry every day about the bigger
2 offerings, Advocate and the OSF, trying to go
3 taxable, but so far they haven't.

4 And then as you mentioned also, we do lose
5 borrowers with consolidation, and so that narrows
6 the amount of people. On consolidation, we usually
7 get a good transaction out of the consolidation, but
8 then we've lost the hospital that has been merged.

9 MR. MEISTER: And we do have, over the past
10 couple of years, multi-state issuance authority for
11 both nonprofits and for profits, although one of the
12 drawbacks has been is that when Illinois nonprofits,
13 even well highly-rated nonprofits, oftentimes the
14 banks of the investment bankers will say a conduit
15 -- an Illinois institution going through a Wisconsin
16 conduit will save the borrower money rather than
17 going through an Illinois conduit.

18 We disagree with that. We disagree
19 strongly. Pam and I were involved in a big battle I
20 think in December.

21 MS. LENANE: We had one really big battle that
22 we lost. I actually blame it on the trading desk of
23 that particular underwriter, but I think now there's
24 not that sense in the market.

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1 There's more of a sense that Illinois is
2 looking at its problems now and trying to tackle

3 them and so that gives confidence. It's all a
4 perception.

5 There is no way that the finances of the
6 State of Illinois -- well, it would be a long track
7 to get to hospitals not being paid, and we're
8 talking about it.

9 MR. POOLE: Roger Poole. Executive Director
10 and Board member. It's been a very informative
11 meeting and good meeting. I must exit, though, and
12 wish you all well.

13 CHAIRMAN FUNDERBURG: Thank you very much.
14 Thanks for letting us know. Roger, if you have
15 anything else here, please circle back with me or
16 Chris. Thank you.

17 MR. POOLE: I certainly will, Chairman.

18 CHAIRMAN FUNDERBURG: Okay, thank you. And,
19 Mike Goetz, too, if you are on the phone, I want to
20 circle back with you in person, too, to see if you
21 have any specific ideas of better serving specific
22 markets in the southern part of the state.

23 Jim, you're up next. Thank you, Pam.

24 MR. FUENTES: For one thing, I wanted to see if

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1 we could find another project like the clean water
2 issue that we did so well. It really got us out
3 there, as far as, you know, given recognition there.

4 One sort of out of the box, I was reading
5 in the paper that the Chicago Skyway private equity
6 guys are in trouble. Maybe we should make an offer
7 for that. You know what I'm saying?

8 Get a bond issued for that. Give them 25
9 cents on the dollar. See if we could do something
10 good for the state that way. See if we could make
11 some money.

12 CHAIRMAN FUNDERBURG: And I haven't seen that.
13 That is out of the box.

14 MR. FUENTES: They have ratings for that clear
15 water issue. We've never put it -- taken it for a
16 test ride. That is why I wanted to see if we could
17 get something out of it, something like that.

18 Even if we don't win, I mean, it would
19 highlight what we can do and, you know, other people
20 may come with us for opportunities based on it.
21 It's a little off the wall.

22 CHAIRMAN FUNDERBURG: Okay.

23 MR. FUENTES: I read about it and said, "That
24 would be something we should go after, you know, get
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1 it back."

2 CHAIRMAN FUNDERBURG: Who is the gentleman? I
3 can't remember.

4 MR. FUENTES: I thought they were first Iowa --
5 I mean Ohio went under.

6 MR. KNOX: Indiana.

7 MR. FUENTES: Ohio went under, and now these
8 guys are in trouble for the Skyway.

9 MR. FRAMTON: The concessionaire?

10 MR. FUENTES: Yeah.

11 MR. FRAMTON: McCory.

12 MR. KNOX: It's also the Chicago parking, that
13 is one of the problems.

14 MR. FUENTES: We're getting in trouble. So why
15 don't we try to get in there on 25 cents on the
16 dollar and see if we could grab it?

17 CHAIRMAN FUNDERBURG: Can you just take a peek?
18 Chris is going to take a peek, right?

19 MR. ANDERBERG: I repeat a lot of what has been
20 said. I think like the industrial revenue bond,
21 \$3,000,000 to 10,000,000, that is a sweet spot for
22 small manufacturers, but if the current tax law --
23 if the tax law comes back, and we have bonus
24 depreciation, accelerated depreciation, that takes

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1 us right out.

2 I think it's advantageous for
3 manufacturers, small guys like myself, and the
4 farming community, too.

5 I think we need to have a better branding
6 or marketing image. I don't think we're well known
7 at all. I probably could poll farmers in my area
8 where I live in, they probably think IFA is only the
9 farming association. They wouldn't know what the
10 IFA is, and they don't.

11 They think of First Farm Credit Services
12 first, and that's all they go to, and this might be
13 a better avenue for some of the first-time buyers of
14 farmland.

15 MR. EVANS: I think we also need to increase
16 our limits and try to find a product toward a

17 seasoned farmer, because the seasoned farmer is one
18 that the community banks are suffering.

19 They can't offer them product that, you
20 know, competitors can, like Farm Credit.

21 MR. ANDERBERG: That's right.

22 MR. EVANS: Someone who has been in the
23 business for, you know, five years, and has equity
24 above \$500,000, and it doesn't fit into our program

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1 because they are not really a beginner farmer. They
2 have decent ground. They have nowhere to go.

3 I mean, the community banks try to
4 compete, but Farm Credit, with the government-backed
5 bonds, are very aggressive. They can't, you know,
6 match their rates, and they have a fund till
7 account, just like a bank similar. They can write
8 checks on and everything.

9 You know, Farm Credit is eating the
10 community banks up pretty much.

11 MR. ANDERBERG: So I think that could be an
12 opportunity. I don't know what Hultgren had in the
13 bill.

14 MR. FLETCHER: MAMBA it's called.

15 MR. ANDERBERG: Is there any provision for
16 changing depreciation?

17 MR. FLETCHER: Rich?

18 MR. FRAMTON: That was proposed, but it was
19 kicked out, because the Tax Committee, Joint
20 Committee on Taxation, they just said, "If that's in

21 there, we're kicking it out."

22 MR. ANDERBERG: Okay.

23 MR. HORNE: Back on the comment of Farm Credit
24 being so aggressive, I mean, if the borrowers needs

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1 are being met because Farm Credit is addressing them
2 and meeting them, I mean, are we just trying to get
3 into a gap that we don't need to the into?

4 MR. EVANS: We're trying to help the community
5 banks, so they can stay in existence out there; and
6 the majority of the community rural banks, they
7 depend on agriculture as their source of income.

8 MR. HORNE: Right. It's more so that's the
9 role in that situation is really supporting the
10 banks?

11 MR. EVANS: Correct.

12 MR. HORNE: As opposed to the borrowers,
13 per se. The banks are addressed. The banks we're
14 trying to support through this.

15 MR. EVANS: Offering something that the banks
16 can compete on the same level as Farm Credit.

17 MR. HORNE: Right, got it.

18 MR. ANDERBERG: I think one other thing I would
19 like to mention, my last would be I think all the
20 community banks, the financing manufacturer of farms
21 maybe -- I've talked to some community bankers in
22 our area, Chairman, they always think SBA, always
23 SBA.

24 If there is anything we could put out

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1 there that shows our competitiveness to SBA or a
2 better alternative to. I think there's a little bit
3 of intimidation.

4 I've sensed a little bit, talking to two
5 bankers about what the IFA, what they do, the
6 bonding issues. They don't want to go through all
7 that, and they would rather just go to the SBA. So
8 if there is something that could be done to improve
9 that.

10 CHAIRMAN FUNDERBURG: There are some areas
11 where specifically SBA has some advantage over our
12 products. There are other areas where we have some
13 advantage.

14 In either case, both call for more
15 awareness, more education, more marketing, more
16 branding of IFA.

17 MR. ANDERBERG: Those are my comments.

18 CHAIRMAN FUNDERBURG: You know, I think you're
19 absolutely right, because a lot of people ask, "What
20 is IFA?" People you would expect would at least
21 have some working knowledge.

22 MR. ANDERBERG: I have one last comment, it's
23 Shabbona.

24 CHAIRMAN FUNDERBURG: I was going to correct
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1 it.

2 MR. ANDERBERG: It's Shabbona.

3 CHAIRMAN FUNDERBURG: I was going to say that.

4 It's Boehne and Shabbona.

5 MR. ANDERBERG: Shabbona.

6 CHAIRMAN FUNDERBURG: Just to be clear. All

7 right, thank you.

8 MS. BRONNER: Can I chime in?

9 CHAIRMAN FUNDERBURG: Please, Gila.

10 MS. BRONNER: Okay. Beyond what has already

11 been said, I think just some perhaps additional,

12 these are not specific ideas, but rather I think to

13 drive home a couple of the points that have been

14 discussed.

15 I see where many people -- there was one

16 comment about noting conduit for just one price

17 deal. There are a number of people, if I mention

18 that I'm on the IFA Board, ask me, "What is the IFA?

19 What does that the IFA stand for? What are they

20 offering me as someone in the private sector trying

21 to grow my company?"

22 So it strikes me that as Board members, we

23 all have, I believe, an obligation to: A,

24 understand how permissive and limited our statute

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1 is; what our, quote, products really are; what they

2 mean, and how we can best explain them to potential

3 customers.

4 And I interact with governments, as well

5 as nonprofits; and in my private life, individuals

6 that are in the private sector that many of them

7 say, "Oh, that is intriguing. I wonder if I could

8 approach the IFA."

9 And I've encouraged a number of them to do
10 so, but it seems to me that it starts with our web
11 presence, our market presence.

12 But as we're thinking about products and
13 services, maybe we need to do some outreach with
14 some target customer groups to see, and this has
15 somewhat been said already, what they would be
16 interested in.

17 And part of that is being able to best
18 explain what we do now, and what we offer; and also,
19 maybe there are some ideas some potential customers,
20 themselves, to have some targeted outreach I would
21 think could be helpful.

22 We also obviously have organized, to some
23 extent, based on our legacy agency's work, so the
24 nature of the areas where we're strong, weak and

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1 strong historically.

2 So perhaps Chris and the whole team, maybe
3 there are some areas that you all have thought about
4 where we need to have a specific focus, in terms of
5 not just the marketing and branding, but in
6 understanding of what the interests might be in the
7 marketplace.

8 MR. MEISTER: Okay, I agree.

9 CHAIRMAN FUNDERBURG: Okay, thank you, Gila.
10 Arlene?

11 MS. JURACEK: Yes, earlier I had a couple of

12 examples where we could possibly fill the void as
13 other entities go by the wayside; and, to me, it's
14 all part of this message I'm hearing building about
15 brand management and really make maybe increasing
16 our recognition, particularly downstate.

17 So identifying who the partner entities
18 are, and who the customers are, and what we can do
19 and perhaps fill the void here, and then enhance the
20 role downstate. So I think that's really critical.

21 The piece of advice that I have is
22 whatever we do, in terms of expanding our presence,
23 is that we work assiduously to avoid unmitigated
24 commodity risk. I know on Power Agency

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1 Authorizati on Act, it does allow the IFA to invest
2 in a new power plant.

3 Unless you got a way to leverage or hedge
4 that commodities risk, don't even think about it,
5 you know, as a stand-alone project. It's far too
6 risky.

7 And then finally, from a municipal aspect,
8 I heard a lot of talk about Clean Water Initiative,
9 but we also have other infrastructure needs, roads
10 and bridges and things.

11 At both at the federal and state level,
12 there are funding issues for that type of
13 infrastructure, and we could possibly look at some
14 in-roads in that area.

15 CHAIRMAN FUNDERBURG: Okay, thank you. Adam?

16 MR. ISRAELOV: Well, as the new Board member

17 here, or one of the two new Board members, it's very
18 useful to hear the comments from the other members,
19 as well as the staff here; and I just wanted to echo
20 a point made earlier by one of the other members of
21 creating and retaining jobs.

22 Just I guess a general comment or
23 suggestion is that states serve as kind of fantastic
24 laboratory experiment, and I know that Chris had

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1 mentioned a strategic plan and an exercise that we
2 had gone through earlier.

3 I think it would be great to look at other
4 states that are similarly situated and have an
5 authority similar to the IFA, and see what measures
6 that they have taken that have been successful in
7 creating and retaining jobs.

8 And also, in just restating one of the
9 points that has been mentioned by other members here
10 of brand awareness, so what measures have been taken
11 by them that have been successful.

12 I just think this is very useful
13 information for the Board that we should take a look
14 at.

15 CHAIRMAN FUNDERBURG: Okay, thank you. Mike,
16 if you're still on the phone, do you have anything
17 else? Okay.

18 MS. BRONNER: No, nothing from me.

19 CHAIRMAN FUNDERBURG: Okay, Gila. Thank you.
20 Some of the team has had a chance to speak to that

21 question. Is there anything else?

22 MR. MEISTER: I have one I know we talked
23 about.

24 CHAIRMAN FUNDERBURG: I left you out on
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1 purpose.

2 MR. MEISTER: Oh, okay.

3 CHAIRMAN FUNDERBURG: I left you out on
4 purpose. Anything else anybody wants to add?

5 MS. GILDART: Well, the City of Chicago has a
6 financial symposium which we could look to piggyback
7 off of.

8 Also, in addition to the State of Illinois
9 through Tom Tyrrell, the Director of Central
10 Management Services, they have been aggressively
11 reaching out to small businesses and have required
12 agencies to up the ante, as far as doing business
13 with small business; and they also give us an
14 opportunity to speak to them, as far as our
15 products.

16 So internally with the State of Illinois,
17 we are doing more of an outreach to small businesses
18 also.

19 CHAIRMAN FUNDERBURG: Good. Great. Thank you.

20 MS. WEBER: The only other thing I would add
21 somebody mentioned transportation. Industrial
22 development bonds were mentioned before, and they do
23 have a dollar limit, but they are part of a group
24 called private activity bonds or pabs, and there is

1 another pab that was created back in 2005 for
2 transportation purposes.

3 The Federal Governmental allocated
4 \$15,000,000,000. There is \$4.3 billion left to be
5 allocated. If there were appropriate transportation
6 projects in the area, that might be something we
7 would want to look into, but it's a long lead time.

8 CHAIRMAN FUNDERBURG: Okay. Thank you.

9 MR. MEISTER: And on the transportation, we
10 actually did two tranches of that for Center Point
11 Properties. I think we were the first that closed
12 in the nation.

13 Also, on venture, I know I gave a lengthy
14 explanation. The venture and research and
15 development arm of University of Illinois is called
16 Illinois Ventures. It's headed by the U of I's
17 Chairman McMillan, and Nancy Sullivan has reached
18 out to me.

19 And again, I want to get through today's
20 meeting, and then this discussion, but she would
21 very much like to meet with us and have Mr. McMillan
22 meet with you as well to talk about one of the
23 advantages of joint issues.

24 I know that we've not had the best record

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1 on venture. The advantage of partnering with an
2 established entity like Illinois Ventures, which is

3 a nonprofit arm of the University of Illinois, is
4 that they are actually providing all of the backup
5 services that are necessary to new entrepreneurs and
6 to get the idea out of the lab and out of the
7 professor and into commercialization. So that is
8 one opportunity.

9 A couple of other quick points is all of
10 the Board members, and the newer Board members,
11 you'll hear about public/private partnerships. I
12 believe that that's one area where we could play a
13 role.

14 There's a model in Canada called
15 Infrastructure Ontario, and there is a bill being
16 pushed or being advocated for by the State Chamber
17 of Commerce. It actually uses what's a more
18 descriptive name, which is Alternative Financing and
19 Procurement.

20 I am going to be working with the
21 Governor's Office and with the Board on how high of
22 a profile we take on that.

23 In addition, some of the larger commodity
24 groups downstate, the ag commodity groups, the

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1 Soybean Association, the Farm Growers, are very
2 interested; and there is recent federal legislation
3 passed to do sort of public/private partnership
4 alternative procurement in financing for the locks
5 and dams on the Illinois River, and I think that is
6 probably going to be moving.

7 And I think that is something that we

8 could play an important role on. We are already
9 structured, and we already are staffed up.

10 And a final point is I think we've talked
11 a lot about resources. One of the reasons why we
12 are so lean is because we took a major revenue hit
13 in the wake of the recession, and we've cut our
14 staff from 30 plus to around 15, and that was
15 because the value of tax exemption shrunk.

16 It was because industrial revenue bonds at
17 the federal level did not keep pace with the
18 development of economics, and I'm glad we're having
19 -- I'm glad that Rob asked for this discussion,
20 because a very important part is how we hire, who we
21 hire, and what resources we add; and, you know,
22 we're going to have to make choices, and those
23 choices I want to give as many options and as much
24 information to the Board so you can make wise

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1 choices.

2 MS. BRONNER: Chris.

3 MR. MEISTER: Yes.

4 MS. BRONNER: This is Gila. Just an added
5 comment on that, as we think about that, and think
6 about the hires, it is contingent to be critical
7 that we focus on what that underlying administrative
8 infrastructure needs to be to support that.

9 MR. MEISTER: Absolutely. And again, that's a
10 point that did not come up in the discussion, but I
11 am glad you raised it, Gila.

12 We really need to do some hiring. It was
13 approved in July. In the hiring plan, of course we
14 have to work through the trip wires of state hiring,
15 compliance, procurement, finance administration,
16 audit.

17 CHAIRMAN FUNDERBURG: Okay.

18 MS. BRONNER: Hopefully you will help with some
19 of that maybe.

20 CHAIRMAN FUNDERBURG: Okay.

21 MS. BRONNER: And one last point about the job
22 data, and I know, Mr. Chairman, we chatted briefly
23 about this at the end of the last meeting, something
24 we had talked about that was on a prospective basis,

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1 not only looking at current retained projected jobs,
2 but circling back for those deals that have been
3 completed to actually see what the real numbers are.

4 CHAIRMAN FUNDERBURG: Yes, I agree, and those
5 are estimates, and it would be good to have the hard
6 data, if we're able to gather that.

7 MS. BRONNER: Right, in any way.

8 CHAIRMAN FUNDERBURG: And we will work on
9 trying to figure out how we can gauge the actual job
10 impact. Thank you.

11 MS. GILDART: And, actually, Gila, that is one
12 of the areas where we're audited on. Some of the
13 requirements for certain bond issuances would
14 require annual jobs reports, and so that is an area
15 that we really should be taking a look at.

16 MS. BRONNER: Yes, because it is needed.

17 Certainly it is part of our mission; and, therefore,
18 maybe it becomes a part of our general proforma at
19 that get-go. So that on a prospective basis, we are
20 actually putting, you know, the burden on our
21 customers to let us know.

22 It also enhances the accountability and
23 honesty around it.

24 MS. GILDART: Absolutely.

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1 CHAIRMAN FUNDERBURG: Okay. Thank you, Gila.

2 MR. YONOVER: It also becomes a talking point,
3 too.

4 MS. BRONNER: Just a thought.

5 MR. YONOVER: We're creating this many jobs,
6 we're doing this, this.

7 CHAIRMAN FUNDERBURG: Got it. Good discussion.
8 Hopefully there will be ongoing discussion; and if
9 you have any other thoughts or ideas, you know,
10 please let Chris or me know. And at this point, I'm
11 going to ask if there's any public comment?

12 (No response.)

13 CHAIRMAN FUNDERBURG: Okay, no. All right. I
14 would like to ask for a motion to adjourn then.

15 MS. BRONNER: So moved.

16 CHAIRMAN FUNDERBURG: Is there a second?

17 MR. O'BRIEN: Second.

18 CHAIRMAN FUNDERBURG: Seconded by Terry. All
19 those in favor, say aye.

20 (A chorus of ayes.)

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21 CHAIRMAN FUNDERBURG: Any opposed?

22 (No response.)

23 CHAIRMAN FUNDERBURG: Thank you very much. See
24 you next month.

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1 (WHICH WERE ALL THE PROCEEDINGS HAD.)

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1 STATE OF ILLINOIS)
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4 PAMELA A. MARZULLO, C.S.R., being first duly sworn,
 5 says that she is a court reporter doing business in the city
 6 of Chicago; that she reported in shorthand the proceedings
 7 had at the Proceedings of said cause; that the foregoing is
 8 a true and correct transcript of her shorthand notes, so
 9 taken as aforesaid, and contains all the proceedings of said
 10 meeting.

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 PAMELA A. MARZULLO
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