ILLINOIS FINANCE AUTHORITY

REGULAR session

November 10th, 2016 at 9:31 a.m.

Report of Proceedings had at the Regular Meeting of the Illinois Finance Authority on November 10th, 2016, at the hour of 9:30, a.m., pursuant to notice, at 160 North LaSalle Street, Suite S1000, Chicago, Illinois.

APPEARANCE:

ILLINOIS FINANCE AUTHORITY MEMBERS

MR. R. ROBERT FUNDERBURG, Chairman
MR. ERIC ANDERBERG
MR. JAMES J. FUENTES
MR. R. ROBERT HORNE (via audio conference)
MS. ARLENE JURACEK
MR. LERRY KNOX
MS. GILA J. BRONNER
MR. MICHAEL W. GOETZ
MR. ROGER POOLE
MR. LYLE McCOY
MR. TERRY O'BRIEN
MS. BETH SMOOTS
MR. JOHN YONOVER
MR. GEORGE OBERNAGEL

ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

MR. BRAD FLETCHER, Assistant Vice-President
MR. RICH FRAMPTON, Vice-President
MS. PAMELA LENANE,Vice-President
MS. ELIZABETH WEBER, General Counsel
MS. XIMENA GRANDA, Controller
MR. CHRISTOPHER B. MEISTER, Executive Director
MR. PATRICK EVANS, Agricultural Banker (via audio conference)
MS. DENISE BURNS, Deputy General Counsel

CHAIRMAN FUNDERBURG: Good morning, everyone. I would like to go ahead and call to order our Illinois Finance Authority meeting. Thank you all for coming today.

We'll go ahead and get started. I would like to ask for roll.

FLETCHER: Certainly. The time is 9:32. I'll call the roll of Members physically present in the room first. Mr. Anderberg?

ANDERBERG: Here.

FLETCHER: Ms. Bronner?

BRONNER: Here.

FLETCHER: Mr. Fuentes?

FUENTES: Here.

FLETCHER: Mr. Goetz?

GOETZ: Here.

FLETCHER: Ms. Juracek?

MS. JURACEK: Here.

FLETCHER: Mr. Knox?

KNOX: Here.

FLETCHER: Mr. McCoy?

McCOY: Here.

FLETCHER: Mr. Obernagel?

OBERNAGEL: Here.

FLETCHER: Mr. O'Brien?

O'BRIEN: Here.

FLETCHER: Mr. Poole?

POOLE: Here.

FLETCHER: Ms. Smoots?

SMOOTS: Here.

FLETCHER: Mr. Yonover?

YONOVER: Here.

FLETCHER: Chairman Funderburg?

CHAIRMAN FUNDERBURG: Here.

FLETCHER: Mr. Chairman, a quorum of members

physically present in the room has been constituted.
I would like to ask if any Members would like to attend via audio conference at this time?
HORNE: Yes. This is Bob Horne calling in for audio conference. I'm away on employment purposes.
CHAIRMAN FUNDERBURG: Okay. Mr. Horne on the phone. Is there a motion to approve the request pursuant to the bylaws and policies of the Authority?
BRONNER: So moved.
JURACEK: Second.
CHAIRMAN FUNDERBURG: All in favor, please say aye.

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(A chorus of ayes.)
CHAIRMAN FUNDERBURG: Any opposed?
(No response.)
CHAIRMAN FUNDERBURG: Thank you, guys. The ayes have it.
FLETCHER: Mr. Chairman, Member Horne has been added to the initial quorum roll call.
CHAIRMAN FUNDERBURG: Okay. At this point, I would like to ask if there are any additions, edits, corrections to today's agenda? If not, I would like to go ahead and ask for a motion to approve it.
GOETZ: So moved.
KNOX: Second.
CHAIRMAN FUNDERBURG: Seconded by Mr. Knox. All in favor, please say aye.
(A chorus of ayes.)

CHAIRMAN FUNDERBURG: Any opposed?
(No response.)
CHAIRMAN FUNDERBURG: Under my remarks, I would just like to share, not to have a spoiler alert, I've got some really exciting good news that we'll be sharing later today. Executive Director Meister will be speaking about that.
At this point, I would like to hand things

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over to you.
MEISTER: Thank you, Mr. Chairman. Again, at 11:00 o'clock this morning, there will be a national award announced for an Authority project. I can't share it at this time yet.
All I can tell you is that I'm very grateful to the volunteer Members of the Authority because the facts of this particular transaction were made possible by your commitment and responsiveness to the needs of our borrowers.
So I will thank you in advance. I'd also like to compement Rich Frampton for his work on the MJH/Fulerton Village project that you will here later this morning. At 11:00 o'clock this morning, the news will be public. As Conduit Committee Vice-Chairman Lyle McCoy knows, as well as the other Members Of the Conduit Committee, this is a complex and very detailed transaction, and Rich has done a remarkable job at pulling all of those details together and presenting them in a cogent fashion.

I also want to just highlight one other project. One of the great things about being involved with this organization is playing a small role in important projects that have important

impact across the State.

As we speak, the Carle transaction that was approved by this Board within the last couple of months is closing, and one of the things that I think the Board Members and the people of Illinois will be hearing about in the future is the new medical school tied to the University of Illinois Engineering School that Carle is a big part of.

And so, again, the work of the Authority, the work of the Members, contributes in a small way to making some of these really innovative impact goal accomplishments occur. So thank you.

CHAIRMAN FUNDERBURG: Okay. All right, thank you. Next I would like to ask if there are any additions or corrections to minutes of our prior meeting? No? Okay? If not, then is there a motion to approve them?

BRONNER: So moved.

OBERNAGEL: Second.

CHAIRMAN FUNDERBURG: Seconded by Mr. Obernagel. All in favor, please say aye.

(A chorus of ayes.)

CHAIRMAN FUNDERBURG: Any opposed?

(No response.)

CHAIRMAN FUNDERBURG: Okay. Ms. Granda.
GRANDA: Good morning, everyone. I will be presenting the financial statements for October 31st of 2016. The financial analysis and the financial statements are in your Board books.
Our total annual revenue equals $2.2 million and are $648,000 or 40.8 percent higher than budget. That is primarily due to the higher closing fees.
In October, the Authority generated $214,000 in closing fees, which is $77,000 lower than our monthly budget of $291,000. Our annual expenses equals $1.1 million and are $591,000 or 35.8 percent lower than budget, which is mostly driven by our vacant budget staff positions and a reduction in our professional services.
Occupancy costs fell by $24,000 or 18 percent. We are now seeing the cost savings as a result of the Chicago office relocation to the Bilandic Building. The savings resulting from the relocation is greater than $24,000 in fiscal year 2015.
Our occupancy cost included a one-time cost for moving and leasehold improvements. For

comparison purpose, our total rent expense of the Prudential space, including property tax allocation for fiscal year 2014, was at $235,000.

In fiscal year 2015, our rent expense at the Bilandic Building was only $98,000, which is a savings of $137,000. While discussions are preliminary and subject to change, CMS has no plans to move the Authority to another location.

In October, the Authority recorded operating expenses of $253,000, which is lower than the monthly budgeted amount of $412,000. The decrease again is primarily due to employee related expenses and professional services.

Our total monthly net income for October was only $69,000. The total annual net income currently is at $1.3 million. The major driver of the annual profitable bottom line continues to be the overall spending of 35.8 percent below budget as well as higher proceeds and administrate fees.

The Authority continues to maintain a strong balance sheet. The general fund has a net position of $55.1 million. Total assets are at $55.5 million, mostly are consisting of cash investment and receivables. Our unrestricted cash

and investment totals $36.4 million.

The State of Illinois assigned purchase receivable balance is at $556,000. In the month of October, the Authority received $4,000 in payments. To date, the Authority has received $4.4 million in principal payments, and roughly about $128 in prompt payment interest.

This schedule is found under your Board packet. We are working with GOMB, CMS and other state agencies to get the balance of $556,000 and the accrued prompt payment interest paid and reconciled as soon as possible. Due to an accounting rule interpretation in fiscal year 2008, the Authority has continually carried the state revolving clean water initiative bonds in the Authority's balance sheet.

In September 12 of 2016, you may recall the Authority issued a $500,000,000 bond issue on behalf of our sister agency, the Illinois Environmental Protection Agency. This means that since September 2016, our balance sheet increased to the full size of the 2016 bond issue of $589,000,000.

Towards the end of September, the

Authority gave direction to Clear Arc investment manager, to start investing the $589,000,000 of bond proceeds. To date, Clear Arc has invested roughly about $456,000,000 from the bond proceeds in various short-term securities, with maturity dates ranging from November 15 to December 31st of 2016, per direction of the Illinois Environmental Protectioin Agency.

I anticipate that investment portfolio for the IEPA will be a regular item on my report going forward. The full work for fiscal year 2016 financial audit conducted by RSM concluded on October 28th. We have submitted our management discussion and analysis letter for 2016 also on October 28th.

Late yesterday, we did receive some comments from the auditors on the financial audit and the MD&A were very cosmetic.

Now I would like to take this opportunity just to provide some preliminary activities that are coming up in November. We anticipate closing fees for UCMC in the amount of 193, the Carle Foundation for $190,000, and the Ness for about $43,000.

Also in November, one of our conduit

bonds, the Clinic in Altgeld, which was tied to a State appropriation with a maturity of November 15th. One of predecessor authorities provided $600,000 as a debt service. We anticipate that once this bond is matured and paid off, the restriction on these bonds will be freed up and returned to the Authority.

On our last Board meeting, a listing of our local government loans was provided. One of our loans, the Village of Thomson, has challenges that are tied to the State budget.

It's our understanding from the borrower that certain budgetary payments have been made, and the payment for -- the February payment will be made on time.

Is there any questions?

O'BRIEN: Yes, I have a question. I'm curious on page 2 of 4 near the bottom where they talk about transfers in from other funds and transfers out to other funds, could you give an explanation for that?

GRANDA: Yes, that's actually our State receivables. For accounting purposes, we divided the State receivables.

O'BRIEN: I'm talking about State receivables.

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GRANDA: The State receivables are --

MEISTER: Here, this was the purchase of certain --

O'BRIEN: IOUs?

MEISTER: Yes. Certain IOUs with Authority general funds.

O'BRIEN: So when you send the money out, and now it's coming back, what do you get, a note?

MEISTER: It's an assignment agreement.

O'BRIEN: You don't get cash?

MEISTER: Actually, we have been getting cash back. It is the summary is --

YONOVER: It doesn't look like it's going down. It looks like the same number from last month.

MEISTER: Yes.

GRANDA: Yes.

YONOVER: What's going on with that?

GRANDA: Well, roughly, like I said, we have about $556,000 that is still outstanding, and that's what we're working with CMS and the other state agencies to get that paid.

O'BRIEN: But all you're getting is IOUs, right? You're not actually getting cash?

GRANDA: No, we're actually receiving the

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payments.

O'BRIEN: You actually got $4,000,000 and some dollars?

GRANDA: Yes, we did, yes, because we actually had $4.9 million that went out, and we have received 4.4 back.

O'BRIEN: So now when that comes back in, can that be sent for the same purposes?

GRANDA: I believe.

O'BRIEN: Or does that require Board approval?

MEISTER: There is a February resolution that provides authority. We are working -- one of the reasons why we provided this summary in the monthly report is to make clear to the Board Members and the public and the other Authority stakeholders exactly what we are doing.

At this time, while there have been discussions from time to time, there has not been a formal additional request submitted to the Authority for payments, for vendor payments. I'm happy to keep you informed, as well as other Board Members should.

O'BRIEN: Should that request come, though, would that take action of this Board to approve it,

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or because this has been designated, this money, could you just continue the program as is?

MEISTER: I think that's an open question that maybe General Counsel Weber could answer, since she's raising her hand.

WEBER: Yes, the November resolution gave Authority up to $12,000,000. So we only purchased receivables in the amount of $5,000,000. So there is still $7,000,000 of the Authority left under that resolution.

O'BRIEN: And that doesn't expire any time?

WEBER: No.

O'BRIEN: We still have a quick call for another $7,000,000? Another $7,000,000 could go out?

WEBER: $7,000,000, yes, I think rough numbers.

O'BRIEN: Okay. Without any Board approval?

WEBER: That's correct.

O'BRIEN: Okay, thank you.

MEISTER: But also, again, for clarity, there are two resolutions, November 2015 and February of 2016.

WEBER: Correct.

MEISTER: And, again, just to your point to

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clarify, these resolutions do not have sunset provisions.

WEBER: That's correct. The second was supplementary to the first ratifying the first and adding some other provisions. So they were two parts of the same authorization.

CHAIRMAN FUNDERBURG: For the record, we'll continue to keep people posted with anything that should transpire in the future, regardless whether it needs Board authority or not, approval or not.

Chris, to Mr. O'Brien's question regarding whether there has been a cash repayment, the answer is "yes"?

In addition to that, we've also been compensated for that as well; is that correct?

MEISTER: Yes.

O'BRIEN: We're getting the interest as well?

MEISTER: Yes, the statutory prompt payment, which is roughly one percent a month.

O'BRIEN: After 90 days?

MEISTER: But again, to John's question, at the end of June, on June the 30th, there was what has been called roughly I think it's "all in." It's maybe three bills that were passed by the General

Assembly on June 30th, and then signed into law that same day, and part of that budget expires at the end of this calender year.

So as I've highlighted in the past, it was my desire to be totally done and repaid by the end of November. There is roughly this $556,000 that is outstanding, as John correctly highlights. That is outstanding principal and without a significant portion of the statutory one percent a month prompt payment.

Part of the difficulty that we've been having is matching exactly, because many of these receivables come in fairly small amounts to make sure that the warrant number, the obligation, and the voucher all match up, that all reconciles.

Six has been having those conversations with, I believe, primarily with the Department of Corrections because this was a food vendor.

On the flip side of that, as Six has highlighted, I had engaged with the Governor's Office of Management and Budget, who was the steward of these fairly restricted amounts of appropriations, and what I did was I pressed for the payment on the Clinic on Altgeld, which had that not

occurred, we would have had to be reporting a $200,000 loss.

And we also pressed for another State agency central management services to make a payment on the Village of Thomson on their outstanding water treatment plant bill tied to what is now a federal prison, and that is going to be made -- that payment -- that principal and interest payment is going to be made back to us in February.

So I had a limited number of cards, and I pressed for payments on the two that were going to cause us immediate problems. We have been in robust and regular discussion about the timing and the amount of repayments under the outstanding receivables.

And I think to Terry's point, I made clear that we have a Board that we keep in regular communication on these issues, keep them informed, and we get questions on these because this is -- these were, in essence, deployments of the Authority's balance sheet funds to this purpose.

YONOVER: When do you anticipate this being zero?

MEISTER: I hope that it is zero by the end of

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November. That is what my hope is.

O'BRIEN: You do anticipate additional draws, though?

MEISTER: I have fielded questions and requests. So far none of those requests have crystallized into an actual formal request.

O'BRIEN: Okay.

YONOVER: Chris, I recall several months back we also had money related to the Housing Authority. It's not on this list. Is that separately being repaid, or is that still out there?

MEISTER: That was repaid. This is the -- this page, the State of Illinois detailed receivables summary unaudited as of November 2nd, 2016, is the full amount of the outstanding commitment as of this time.

The deployment of funds for the housing project were confusingly through the Department of Human Services. That has been repaid in full.

YONOVER: Great.

MEISTER: As has the deployment of debt service payments, principal and interest to the Southwestern Illinois Development Authority for the advance payment of a moral obligation pledged.

YONOVER: So this is sum and substance of all receivables that are due for the stuff that we did earlier?

MEISTER: Yes.

YONOVER: Great.

CHAIRMAN FUNDERBURG: Thank you. All right, good discussion. If there's nothing else, then I would like to ask for a motion to accept the financial report.

BRONNER: So moved.

CHAIRMAN FUNDERBURG: Moved by Ms. Bronner. Is there a second?

GOETZ: Second.

CHAIRMAN FUNDERBURG: All in favor, please say aye.

(A chorus of ayes.)

CHAIRMAN FUNDERBURG: Any opposed?

(No response.)

CHAIRMAN FUNDERBURG: The ayes have it. Thank you. Ms. Burns?

BURNS: Yes. Mr. Chairman, Board Members, I'll be presenting the monthly procurement report in my capacity as agency procurement officer.

Once again, as is usually the case, the

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procurement focus tends to be on what I would call housekeeping items. For example, Bloomberg, our arrangement with Bloomberg, which we characterize as small purchases based on the amount of the procurement which has to be approximately $50,900 or less by statute.

And so other than the various housekeeping items noted, our focus is again on RFPs or other bidding competitive proposal arrangements with respect to actually quite critical areas.

Our temporary staffing, which although it's been reduced significantly of late, it is still, for the time being, necessary. And other, areas, such as bank custodian services, very important, loan-management services, and our more longer-term legal services contracts.

Does anyone have any questions?

BRONNER: Just an observation, that dollar amount relative to the temporary finance and procurement compliance staffing are very high. If we look at what is the average yearly expense, it's in excess of $600,000.

BURNS: That will change significantly since we -- I'm not sure how familiar the Board is with this, but there was significant decrease in the number of people that we have subject to this arrangement now.

I think it went from -- it went from six or seven down to two, and that happened only, you know, I would say, a couple of weeks ago that the largest decrease occurred.

GRANDA: Yes.

BURNS: So some of the numbers that you're seeing here are historical, and by no means expected to be that significant.

BRONNER: Excuse me, what were those six -- is it six individuals?

BURNS: Yes.

BRONNER: And what was the nature of that work?

BURNS: Essentially accounting.

GRANDA: The were actually helping us with our compliance checklist for our conduit bonds.

MEISTER: And, Gila, on this point, and again, I'm glad that you're asking this question because it demonstrates in a specific factual manner to the Members of the Authority how conflicting and converging state-based regulatory structures impinge on the self-funding nature enterprise model of the Authority.

Hiring folks under what is broadly called the regulatory structure of the U.S. Supreme Court

Rutan decision has, over the past couple of decades, developed into an extraordinarily complex process.

Since Denise has joined us a few months ago, and she has not only taken the procurement officer duties, which is a complex regulatory structure, but she just recently completed I think three full days of Rutan training being held by Central Management Services.

So what the short-term -- and again, this commitment to the backlog of the compliance checklist was an initiative of our former CFO, who -- and I agreed with it, but this was her initiative, we are in the process of redeploying those duties to certain other staff downstate.

And one of the first things that Six Granda, and I did after the transition of many of the former CFO's duties, both to Six and Denise, was to allocate this identified cost savings. So this is a legacy spending, which as you point out, is comparatively very high.

BRONNER: Relative to our personnel budget.

MEISTER: Yes.

BRONNER: And if I may, though, I do note that it says the contract start and end date is 10-16. Am I not getting this right? They extended it for an additional two years.

BURNS: Yes, it appears twice, in terms of the report. Once because we had to extend for two months just to give us time to do a competitive RFP

process. So the current arrangement was extended for two months.
BRONNER: But it also says here 11-16 to 10-18 on the back page, suggesting it's a two-year prospective contract.
BURNS: It actually -- we've moved that to three years. It's going to be a three-year contract with --
BRONNER: That's even more discouraging.
BURNS: No. With no -- you know, only because -- first of all, let me tell you who we still have on board in terms of the temps. We have a clerical person who deals with a number of things and helps out that relieved a lot of pressure in terms of, you know, de-staffing on the accounting side and on -- you know, in other areas.
We also have one individual who is a

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procurement temp who works pretty closely with me now, in terms of the procurement process, which again, and perhaps this isn't unusual to someone in State government, I have to say, it's a system that the fraught with various requirements that just simply have to be met regardless.
BRONNER: I understand that, but you're anticipating an award in December 16th of an additional two-year contract with an average yearly expense of $605,000, unless this is incorrect.
BURNS: Again, I think the report just picks up

a legacy. We only have two people on board. We are not currently anticipating increasing that number. In fact, we're very much anticipating that number will be reduced.

BRONNER: This is probably incorrect?

WEBER: Well, it gives us flexibility if we need to hire people because it's obligated to hire those people. We have to have a maximum amount for procurement purposes, but it's at our choice whether or not we bring a certain amount of employees.

BRONNER: And not to beat a dead horse, if we're looking at that kind of extension, is there a reason it wasn't competitively procured? It's the

same vendor throughout this whole --

WEBER: I think it was competitively bid.

MEISTER: I think initially it was competitively bid, but --

BURNS: Initially, it was competitively bid, and then that bid was extended as an emergency procurement. And, you know, again, when I came on board -- we need to have in place the ability to hire, if we need it. It doesn't mean we're intending to.

BRONNER: Yes, but I would argue in this particular category, forgive me, not to beat a dead horse, but I think it's pretty big area of the market.

So I think given the amount of time that's passed, my sense is that that would -- you might

find even other options.
BURNS: I just received my certification today.
BRONNER: This isn't about you.
BURNS: No, what I was going to say, just to illustrate, you can't simply advertise how people come in, interview them, and then you're done. I mean, under Rutan, you literally -- you understand Rutan?

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BRONNER: It's not about people. I was suggesting on the contrary.
JURACEK: The report says it was competitively bid initially.
BRONNER: I'm just trying to understand because it's the same. That's all.
JURACEK: It was competitively bid to be anticipated awarded in December. So it was competitively bid for the going-forward period.
BURNS: No. Well, I'm sorry, I'm getting confused here. The last activity, with respect to Accounting Principals, which is what you were speaking about, was simply an extension of the current arrangement for two months.
JURACEK: To cover us during the competitive bid process?
BURNS: Yes, because it was no longer acceptable to go again and ask for an emergency procurement. So, you know, the mandate now for us is that we will stay away from that until, you know,

just where the emergency is based simply on, you know, the passage of time and nobody doing anything.

If we have an emergency procurement now, we very much hope that it is, indeed, an emergency

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procurement where something comes up. But again to reiterate what Elizabeth said, we do have to put a maximum amount in these contracts. So, I mean, maybe it's time now to really look at this report and revise it a little bit to be more meaningful, because I'm really just getting into it now.

BRONNER: It's the categories.

BURNS: It's the categories, yeah.

KNOX: One question. Then the $605,000 represents a bid amount in the contract, not the budget amount we see here.

BURNS: Absolutely not a budget amount. None of them. They are either legacy numbers, or they are numbers that, you know, the Office of the Comptroller requires us to actually put a maximum number.

So people do tend to increase that number because we know, you know, once you've been through this proses, you never want to have to have to go through a competitive bid process just to, you know, deal with that issue.

KNOX: So, then, from a budgetary standpoint, if we're trading dollars, we had six people, now we have two. Going forward, the budgeted amount in this contract, we expect to see closer to $49,000?

BURNS: Well, that actually was for two months, I think, right?

KNOX: About $30,000 a month?

BURNS: What is the approximate monthly cost now for our folks?

GRANDA: For both?

BURNS: Yes.

GRANDA: It's about $5,000 monthly.

CHAIRMAN FUNDERBURG: Okay. So what I would like to do -- this is a good discussion, too important regarding this procurement. What I'd like to do if you want to take 30 seconds, please do that.

I would like just a very brief summary of what it is exactly. We've gone back and forth. There's been a little confusion regarding two years, three years maximum amounts or not.

So could you just summarize, give a 30-second or one-minute summary of what it is exactly what we're looking here, regarding the temporary procurement?

BURNS: Currently, we are operating under a two-month extension to the existing Accounting

Principals contract. We only, however, have two people right now that are on board from Accounting

Principals. We are going out and expect to have a new arrangement in place.

We've gone out -- it is a competitive bid process. We didn't just post it. We also identified several people in the market place, other than Accounting Principals, and they will all receive a separate E-mail basically highlighting the opportunity that is there for folks.

You know, in the final analysis, even the two people that -- we have those positions. We feel they are necessary on an ongoing basis. The mandate now to hire people, is difficult and fraught with timing issues.

So we're all committed to finally be able to go through that process, hire people, and that will reduce the cost, you know, even further we hope.

MEISTER: And, I'm sorry, just to add this point, because I think, Denise, your experience as a former law partner at a large international law firm I think gives you an objective perspective.

You went through three days of Rutan

training, and you shared an observation with me that I would really appreciate you sharing with the Board?

BURNS: We can't hire anybody.

MEISTER: I think that the quote was, "I don't know how you hire anybody."

BURNS: But we will find a way.

MEISTER: Yes.

BURNS: We feel we have a way, and we will do that. So I think we've made great strides at reducing that bill, which, no doubt about it, it was too high, and use more internal resources and deal with Rutan and just realize that it is possible to hire people.

We just have -- you know, we just have to do that, and go through, however painful that may be, that process, but that is the current, you know, mandate that I've been given.

CHAIRMAN FUNDERBURG: Okay. Operationally, this allows you to add or subtract temporary people, in accordance with the work flow of the IFA?

MEISTER: Yes.

BURNS: And, you know, in terms of the form of the report, maybe we will consider before the next

Board meeting a way to make this -- these numbers that are on the right side be more meaningful to you, but I can say that they are not a budgeted amount, and nothing to do with what is budgeted or what we anticipate.

I'm not sure where this -- you know, where this came from originally, but there may be some information that is just not meaningful in its context, and we'll, you know, try to clean that up so that you can look at this and not be quite so difficult to absorb.

CHAIRMAN FUNDERBURG: Okay. Thank you all. Good discussion, everyone. Thank you.
Next up is Committee reports. We did have our Tax-Exempt this morning. Mr. McCoy?
McCOY: Thank you, Mr. Chairman. The Tax-Exempt Conduit Transaction Committee met earlier this morning and voted unanimously to recommend for approval each of the transaction matters on today's agenda, including one -- two beginning farmer bonds, Oak Park Residence Corporation, the Fullerton Village Project, Rehabilitation Institute of Chicago Southern Illinois Healthcare Enterprises?
CHAIRMAN FUNDERBURG: Okay, thank you. If there

are no other committee reports at this point, then I would like to ask for the general consent of the Members to consider the Project Reports and Resolutions collectively, and to have the subsequent recorded vote apply to each respective individual Project and Resolution, unless there are any other specific Project Reports and Resolutions that a Member would like to consider separately.
Are there any? If not, then let's go ahead. Patrick, you're up.
EVANS: Good morning. This is Patrick Evans in Springfield, and today we have two beginning farmer bonds. Both bonds relate to the Illinois Finance Authority program.
We'll have a first mortgage position. FSA will have a second mortgage position behind the

Illinois Finance Authority. The first bond is to Anthony L. and Allison C. Weber. They are purchasing 40 acres of farmland.

People's State Bank of Newton will retain the first position of $211,000 land purchase, or $105,500 of debt. IFA will provide the beginning farmer bond, maintaining the first mortgage position with the bank utilizing the FSA 5/45/50 program.

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The terms of the bonds are identified in the writeup. The property is located in Richland County. The second bond, excuse me, is Michael Joseph Matway. He's purchasing 97.173 acres of farmland. The First National Bank of Litchfield will retain 54.9 percent of a $947,436.75 land purchase or $520,000 worth of debt.

IFA will provide a beginning farmer bond, maintaining first position, with the bank utilizing FSA beginning farmer bond program. To maximize both FSA and IFA programs, the borrower will put in 13.4 percent of equity. FSA maintaining 31.7 percent of the purchase, and the bank retaining the remaining 54.9 percent of the purchase.

The terms of the bonds are identified in this writeup. The property is located Montgomery County. No questions? Thank you, Mr. Chairman.

MEISTER: General Counsel Weber, I think that you have a statement that you made at the Conduit Committee regarding item 1A, Anthony L. and Allison

C. Weber.
WEBER: Yes. Just, for the record, I neither know or to my knowledge am I related to either of those individuals.

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CHAIRMAN FUNDERBURG: Okay. Thank you, Patrick.
FLETCHER: Next, Mr. Chairman, Members, tab 2 in your Board book is a Final Bond Resolution on behalf of Oak Park Residence Corporation in a not-to-exceed amount of $22,000,000.

Established in 1966, Oak Park Residence Corporation provides affordable housing, both through its 22 property multi-housing portfolio, as well as various housing units it owns through affiliated entities.

As a nonprofit entity, Oak Park Residence Corporation issued bonds through our predecessor agency, IDFA, in 2001, and later again through IFA in 2006. Both series of bonds were issued as variable rate bonds floating in the marked secured by letters of credit issued by PNC Bank National Association.

Those letters of credit are scheduled to expire in August 2017. Accordingly, Oak Park Residence Corporation, and a wholly-owned affiliate of PNC Bank, PNC Community Development Company, LLC, have agreed to refund both series of bonds and enter into a bank direct purchase structure.

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We have seen this time and time again, especially converting variable rate bonds to a bank direct purchase structure. The bank and the borrower have agreed to a fixed interest rate for an initial time of ten years.

The refunded principal amount will be approximately $17,000,000. Additionally, the bank is providing financing for new capital projects in the amount of $3,000,000 for various energy efficiency upgrades, as well as HVAC improvements.

Turning to page 7 in the confidential section of the report, I did want to note for the record that we're providing our discounted fee for the refunded principal amount that is currently secured by letters of credit.

Additionally, because Oak Park Residence Corporation is a nonprofit entity, we did provide a forecast, which does show, in fact, we are expecting them to generate sufficient operating cash flows to cover the proposed debt service. Before I ask if there's any questions, I did want to take the opportunity to thank Wayne Pierce. Wayne is the president of Oak Park Residence Corporation. This will be the third time they're using our agency to

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issue tax-exempt bonds.

Are there any questions?

YONOVER: I don't understand the disclosure.
FLETCHER: So there's on ground floors of some of the units, there's retail business operations. It's just given the membership of the Board, we wanted to provide contact information, who that is, in case you have any conflicts.
YONOVER: I understand.
FLETCHER: Thank you.
CHAIRMAN FUNDERBURG: Thank you. Rich?
FRAMPTON: Okay. In tab 3 in your book, item 3 is a Final Bond Resolution for MJH Education Assistance Illinois IV LLC. MJHIV is it special purpose entity that was formed back in 2004 to own and develop a 580 bed student housing facility at 1237 West Fullerton in Chicago.
The parent of MJH is the MJH Education and Healthcare Assistance Foundation. That foundation was actually formed to serve as a supporting organization for DePaul.
Prior to this particular project, the MJH foundation had worked with DePaul on three prior master lease projects, each of which was bond

financed through the Illinois Educational Facilities Authority, and this MJHIV project was intended to be financed as a stand-alone project basis without a master lease or any kind of guarantee from DePaul.
So this MJHIV project was originally financed as a stand-alone real estate financing deal. Originally back in 2004, $87,000,000 of bonds

were issued in three series. Page 2 of the memo highlights the three series that were originally issued.

There was 50 -- overall, there was $87,000,000 in debt issued in 2004, which was comprised of $58,000,000 of senior A bonds. Those were rated Baa2 by Moody's.

There was also a subordinate B series that was also investment grade rated Baa3 by Moody's. Accordingly, because both the A and B series back in 2004 were investment grade rated that pursuant to the Authority's policies, enabled the original bonds to be sold in $5,000 bond denominations to retail investors.

Lastly, there was a C series for $13,800,000. Those bonds were issued and provided to an affiliate of Smithfield Properties, which was

the original developer of the project.

Smithfield took these bonds instead of being paid cash at the closing. The C bonds are junior subordinate bonds. They were sold in actually million dollar denominations with investor restrictions.

Next, just moving on to the history of the project and what this financing will do, the new 2016 bonds would enable the 2004 bonds to be refinanced and restructured.

The 2004 bonds have actually been in

default since December of 2007. So the real purpose of this financing is to enable the 2004 bonds to be paid off and the events of default to go away.

After this financing, there will be no more 2004 bonds. All of the 2004 bondholders will be paid in full, and the restructured payments will enable the project to service the new debt based on existing cash flows that have been posted over the past five years.

So how did this project end up in default in the first place? The project opened in the fall of 2006 with 91-percent occupancy. Year two, which was 2007-2008, occupancy fell to 52 percent. So in

December 2007, there was insufficient cash flow to service the debt.

So they drew from the debt service reserve. So from that time going forward to now, these bonds have been in default. Also, in September of 2007, the property manager was replaced.

The new property manager is actually an affiliate of the series C bondholder, which in turn is an affiliate of -- was an affiliate of Smithfield Properties.

The rationale for that was the C bondholder had $13.8 million of bonds at risk. They were the largest single bondholder, and having a subordinate interest, they had the most at risk on the deal.

In terms of the impact of the change in management, it took some time to get the facility turned around, but on page 4, the improvement, the general improvements in occupancy are reported. In 2012 and 2014, in particular, the facility was essentially fully occupied.

As a result of that, the project was able to catch up on past due interest payments on the A

bonds, and was able to come current on three of five past due principal payments.

The improved operations of the property are evidenced on page 5 through an upgrade on the rating of the series 2004A bonds. In September of 2014, the current rating on the A bonds is Caa2.

The top of page 6 reports the currently unpaid principal balances on both the 2004A bonds, and the past due interest and principal payments on the 2004B bonds.

Since the date of issuance, there have been no payments at all on the series 2004C bonds; and all the time while this project has been in default, penalty and default interest has been accruing.

And as a result of that, the total debt on the project now is approximately $100,000,000. In terms of what the project is currently worth, page 6, there's a note on the appraised value.

In December of 2015, Collier appraised the property with an as-is market value as of December 4, 2015, at $90,000,000, and they also concluded the facility had a remaining economic life of 45 years.

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So, again, the real purpose of this refinancing is it will clean up all the past defaults. It will bring all payments current, but what's really -- there are a few other critical points at the moment.

As long as the project remains in default, the senior 2004A bondholders actually have the right to accelerate the bonds. There are roughly $50,000,000 of Series A 2004A bonds outstanding. The appraised value of the facility roughly $90,000,000.

If there was a forced acceleration, the A holders probably get paid. B and C holders not so clear. One of the attractive features of this refinancing plan is that it's actually driven by the series B and C bondholders. So the subordinate bondholders are actually driving this plan of refinance.

And as things have been set forth, the purchaser of the new 2016A bonds is actually one of the primary holders of the 2004B bonds. So as a result of this refinancing and restructuring, the interest of the subordinate holders will be in alignment with the A holder.

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Also, as preconditions to proceeding with the deal, the property manager, which is an affiliate of the C holder, has already reduced their management fee from 5.2 percent of gross revenues to 3-and-a-half percent of gross revenues.

That generates roughly $200,000 in savings going forward. Additionally, the C holder has agreed to subordinate payment of the management fee Until the A bonds are paid. So that strengthens the deal.

In addition to that, the borrower will be applying to S&P for a private rating on the A bonds. There will be a rating covenant going forward that will be in effect, will be imposed on an annual basis.

That will provide is that MJHIV, the borrower, will apply for a rating each and every year until they retain a rating that satisfies what they have specified as a minimum threshold.

Most likely, that's in the BB category, and the financial performance of the project going forward suggests that even with a forecast 16 to 17 percent vacancy rate on the project, that the project will cash flow sufficiently to make payments

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on the A bonds, and also to begin -- it will enable early amortization of the other outstanding debt on the project.

Just a couple of quick highlights on the financials. Page 12 of the Board Summary Report that shows that the project is not cash flowing, or providing debt service coverage now. Pages 14 and 15 of the report indicate forecast cash flow. Page 15, in the middle of the page, have reported forecast debt service coverage.

It's vastly improved under the new scenario. And page 16 demonstrates how the initial $85.6 million of debt will get paid down in time; and again, all this is predicated on 16 to 17-percent vacancy. This is going forward.

MEISTER: Rich, Lyle McCoy, the Chair of the Conduit Committee, I think has got to leave early, but maybe, Lyle, you can speak to the larger Board on behalf of the Committee regarding the robust and detailed nature of the discussion on this project.

McCOY: I think, as you said, we met earlier. This is somewhat of a unique one than we usually see. We complimented the staff on the analysis that's gone into it.

Obviously, Richard, you worked on this for a lot of years. It's not something new that has come up. I think we had a very good discussion because there are a lot of questions that come up here, but why now? Risks to the Committee? Just the nuances that come in here, and it was positive and we voted accordingly. It is the right transaction.

FRAMPTON: Yeah. I mean, it stops the penalty interest from continuing to accrue. It stops the compounding of interest and provides a viable way out; and the timing now, interest rates are good, and this would position the project to be as successful as possible.

And in light of that, I just want to bring one final thing to your attention. In connection with our recommendation, we are also requesting and recommending policy exceptions on the Authority's bond denomination policy, and to provide a waiver to the usual $100,000 minimum denomination requirement.

The existing holders of the bonds are holding Caa and C rated paper in $5,000 denominations. And just based on the improved financial performance that's very likely to improve,

the new deal will be -- will be better for the new bondholders.

And also, importantly, upon the close -- as a condition of closing this transaction, the Authority will receive waivers and releases from all the new bondholders holding us harmless against anything that's happened in the past.

So those are all the reasons for recommending approval of this financing, and a new -- a revised resolution that reflects the policy exceptions where we're requesting on the

denominations is included in your packet.
And other than that, I would just like to quickly acknowledge Mr. Ben Noble, president of MJH Education Assistance that's here with us today, as is Keith Morgan with Piper Jaffray, who is the placement agent on the A bonds, and Tom Smith from Greenberg Traurig, whose firm is serving as bond counsel. Any other questions?
FLETCHER: Mr. Chairman, for the record, I will note that Member McCoy has left the room at 10:31.
CHAIRMAN FUNDERBURG: We're normally done by now. So in his defense.
BRONNER: Sorry.

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LENANE: This is tab 4 in your Board book, the Rehabilitation Institute of Chicago, which I will refer to as RIC, is requesting a one-time Final Bond Resolution in the amount of $275,000,000 to refund all of their series 2013B, C, D and E bonds, proceeds of which were used to pay or reimburse the cost of acquiring construction and equipping their new 242 bed replacement hospital, which will have 17 floors, a seven floor parking garage and three floors of medical office building.
It's scheduled to open in March of 2017. The plan of finance contemplates three bank private placements with Northern Trust, PNC Bank and Bank of America.
RIC's current rating on its long-term, fixed-rate bonds are A- Fitch stable. The bonds

will be variable rate calculated at .4 percent to .65 percent over a percentage of LIBOR, which is currently approximately at .50 percent.

RIC's mission is to provide quality programs and patient care, education and research, and to strive for the fullest assimilation and acceptance of the physically disabled in the community.

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It operatives the healthcare system, specializing in providing comprehensive rehabilitation services to the physically disabled through an array of static amount of therapeutic services, including physical, occupation and speech therapy.

RIC currently has 1,530 jobs. They are also currently operating a 182 bed hospital and outpatient facility in downtown near the medical campus of Northwestern Memorial Hospital, which they will move out entirely on March 30th and move into their new hospital.

If we look at their financials in the confidential section on page 6, they have good debt service coverage, 1.5 times with 130 days cash on hand. The debt service coverage isn't as high as we normally see for the hospital, but they do have the A rating from Fitch.

They are carrying a lot of debt right now for the construction of the hospital. They are also hoping to get a lot of substantial donations to pay down the debt.

So over time, that 1.5 will improve. We also gave them a 25 percent discount on the fee

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because they're going from a bank private placement with four banks to a bank private placement with three banks. Are there any questions?

Okay. Tab No. 5 in your book is Southern Illinois Healthcare Enterprises. Southern Illinois Healthcare Enterprises is seeking a preliminary resolution.

They will be back next month for a final bond resolution in the amount -- to issue taxable and tax-exempt bonds in the amount of approximately $150,000,000 to advance refund of all of their series 2005 bonds, to reimburse Southern Illinois Health Services for their conversion to the EPIC medical -- electronic medical record system, pay eligible costs related to a new Southern University building, which includes housing for medical students and clinical operations, to purchase the corporation's headquarters in Carbondale, which is currently located next door in a mall in Carbondale.

And they are also raising additional capital for miscellaneous projects funds. SIHE, the parent, will employ 3,495 people, and I'll have a figure on construction jobs for the final resolution because they are just not available right at this time.

The plan of finance contemplates separate series of taxable bonds in the mount of $60,000,000, and tax-exempt bonds in the amount of $90,000,000 to be sold in a public underwriting by Bank of America Merrill Lynch. The bonds will be fixed rate. This rate will be determined at pricing.

Southern Illinois Healthcare Enterprises is a three-hospital system located in Jackson County and Williamson County, Illinois. Memorial Hospital of Carbondale has 154 beds. Herrin Hospital with 114 beds, and St. Joseph Memorial Hospital a 25 bed critical care hospital located in Murphysboro, Illinois.

If we go to SIH's last audited financial ending March 31, they show very strong debt service of 4.6 and 279 days cash on hand. We are only charging them a fee on the tax-exempt portion of the bond, and we're issuing the taxable bonds without a fee because they could, as you know, issue these bonds themselves and not pay the fee. And they have decided to issue both through us, which we're very grateful for. So are there any questions?

MEISTER: And, Pam, just to make it clear,

Southern Illinois Healthcare Enterprises is a completely separate and nonprofit organization from the public university, Southern Illinois University.

LENANE: Absolutely, yes. Thank you.

CHAIRMAN FUNDERBURG: All right. Thank you all. At this point, I would like to request a motion to pass and adopt the following Projects and Resolutions 1A, B, 2, 3, 4 and 5. Is there such a motion?

KNOX: So moved.

CHAIRMAN FUNDERBURG: By Mr. Knox. Is there a second?

GOETZ: Second.

CHAIRMAN FUNDERBURG: Mr. Goetz. Discussion?

FLETCHER: On the motion and second, I'll call the roll. Mr. Anderberg?

ANDERBERG: Yes.

FLETCHER: Ms. Bronner?

BRONNER: Yes.

FLETCHER: Mr. Fuentes?

FUENTES: Yes.

FLETCHER: Mr. Goetz?

GOETZ: Yes.

FLETCHER: Mr. Horne via audio conference?

HORNE: Yes.

FLETCHER: Ms. Juracek?

JURACEK: Yes.

FLETCHER: Mr. Knox?

KNOX: Yes.

FLETCHER: Mr. Obernagel?

OBERNAGEL: Yes.

FLETCHER: Mr. O'Brien?
O'BRIEN: Yes.
FLETCHER: Mr. Poole?
POOLE: Yes.
FLETCHER: Ms. Smoots?
SMOOTS: Yes.
FLETCHER: Mr. Yonover?
YONOVER: Yes.
FLETCHER: Chairman Funderburg?
CHAIRMAN FUNDERBURG: Yes.
FLETCHER: Mr. Chairman, the motion carries.
CHAIRMAN FUNDERBURG: Great. Thank you. At this point I would like to ask if there's any public comment? Any public comment at all?
Thank you all for coming. Last month I asked the group in the meeting if there were any Cub fans in the audience.

BRONNER: A much higher number now.
CHAIRMAN FUNDERBURG: A much higher number. Thank you, Mr. Fletcher. We also need to excuse the absences of the absent Members. Is there such a motion?
KNOX: So moved.
BRONNER: Second.
CHAIRMAN FUNDERBURG: All those in favor, please say aye.
(A chorus of ayes.)
CHAIRMAN FUNDERBURG: Any opposed?

(No response.)

CHAIRMAN FUNDERBURG: Thank you all very much.

BRONNER: I would like to just note the inclusion of the jobs report within our manila folder.

FRAMPTON: That would be me.

MS. BRONNER: Thank you, Rich, for putting it together. Obviously it speaks for our mission at IFA, and I think it's very important information relative to economic development in our state, so thank you.

FRAMPTON: Thank you.

CHAIRMAN FUNDERBURG: Thank you all very much.

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Do I have a motion to adjourn?

BRONNER: So moved.

CHAIRMAN FUNDERBURG: Is there a second?

KNOX: Second.

CHAIRMAN FUNDERBURG: All in favor, please say aye.

(A chorus of ayes.)

CHAIRMAN FUNDERBURG: Any opposed?

(No response.)

CHAIRMAN FUNDERBURG: Thank you all.

FLETCHER: The time is 10:39 a.m.

(WHICH WERE ALL THE PROCEEDINGS HAD at 10:39 a.m.)

STATE OF ILLINOIS)
) SS:
COUNTY OF C O O K)

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

PAMELA A. MARZULLO
License No. 084-001624

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