

1 ILLINOIS FINANCE AUTHORITY BOARD
2 BOARD OF DIRECTORS REGULAR MEETING
3 November 12th, 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 November 12th, 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
MR. ERIC ANDERBERG
4 MR. ROBERT HORNE
MR. ADAM ISRAELOV
5 MS. ARLENE JURACEK
MR. LERRY KNOX
6 MR. BARRETT PEDERSON (Added 9:41 a.m.)
MR. MORDECAI TESSLER (Added 9:41 a.m.)
7 MR. ROBERT E. POOLE
MS. GILA J. BRONNER
8 MR. MICHAEL W. GOETZ

9
10 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

11 MR. BRAD FLETCHER, Assistant Vice-President
MR. RICH FRAMPTON, Vice-President
12 MS. MELINDA GILDART, CFO
MS. PAMELA LENANE, Vice-President
13 MS. ELIZABETH WEBER, General Counsel
MS. SIX GRANDA, Controller
14 MR. CHRISTOPHER B. MEISTER, Executive Director
MR. PATRICK EVANS, AG Banker

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1 CHAIRMAN FUNDERBURG: I would like to call to
2 order the meeting of the Illinois Finance Authority
3 at 9:35. First is roll.

4 FLETCHER: The time is 9:35 a.m. At this time,
5 I'll call the roll. Mr. Anderberg?

6 ANDERBERG: Here.

7 FLETCHER: Ms. Bronner?

8 BRONNER: Here.
9 FLETCHER: Mr. Goetz?
10 GOETZ: Here.
11 FLETCHER: Mr. Horne?
12 HORNE: Here.
13 FLETCHER: Mr. Israel ov?
14 ISRAELOV: Here.
15 FLETCHER: Ms. Juracek?
16 JURACEK: Here.
17 FLETCHER: Mr. Knox?
18 KNOX: Here.
19 FLETCHER: Mr. Pool e?
20 POOLE: Here.
21 FLETCHER: Mr. Chai rman?
22 CHAI RMAN FUNDERBURG: Here.
23 MR. FLETCHER: Any Board Members on the
24 tel ephone?

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1 EVANS: Thi s is Pat Evans.
2 FLETCHER: Mr. Chairman, at thi s time we have a
3 quorum.
4 CHAI RMAN FUNDERBURG: Thank you very much.
5 Next is approval of the agenda. Anythi ng anybody
6 would like to correct or add to the agenda, you
7 could do that.
8 If not, is there a moti on to approve that?
9 GEOTZ: Moved.
10 POOLE: Second.
11 CHAI RMAN FUNDERBURG: All i n favor, please say

12 aye?

13 (A chorus of ayes.)

14 CHAIRMAN FUNDERBURG: Any opposed?

15 (No response.)

16 CHAIRMAN FUNDERBURG: Okay, thank you. Next, I
17 would just like to open by thanking all of the staff
18 at the IFA. It's been a very, very busy month not
19 only conducting the business of the IFA, but also in
20 working on a number of other projects, and you've
21 all been doing a great job.

22 Sincere thanks to all of you. Also, just
23 in terms of a procedural matter, I just want to
24 point out that, you know, this is a volunteer,

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1 unpaid, part-time position that all of us have.
2 From time to time, our other interests, business or
3 otherwise, sometimes create a potential conflict
4 with IFA customers.

5 And I'm recommending that, you know, from
6 here on out, if there is a potential or actual
7 conflict, that the affected Director remove himself
8 or herself from the room during that point of
9 discussion. That's all I have for now. Chris?

10 MEISTER: Thanks, Mr. Chairman. Again, my name
11 is Chris Meister. I'm the Executive Director of the
12 Illinois Finance Authority.

13 I just want to call the Board Members and
14 the audience to my message that is posted in the
15 front part of the book.

16 Obviously, there is some extraordinary
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17 times here in Illinois State Government; and in
18 connection with these extraordinary times, I'm
19 asking the Authority to consider some extraordinary
20 actions, which are found on items -- specifically
21 Items 7, 11, and 8 of the project reports and
22 resolutions on the agenda.

23 I will speak to those, but specifically
24 I'm going to be asking the Authority to help

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1 ameliorate the difficulties faced by certain state
2 vendors and providers of 911 services in this state.

3 I'm also very pleased, again, we have a
4 diverse agenda, the agriculture, education,
5 healthcare, and industry on the conduit borrowers
6 side. I also want to note that last week at the
7 invitation of the Canadian Consulate, I was part of
8 an Illinois Delegation that went to Toronto for the
9 Canadian Public/Private Partnership Conference.

10 I was accompanied by Roger Driskell, who
11 works for the Illinois Department of Transportation;
12 and in the transportation space in Illinois, is our
13 State's subject matter expert, and a newly-appointed
14 Executive Director of the Chicago Infrastructure
15 Bank, Leslie Darling.

16 And I would like to thank the Canadian
17 Consulate General Roy Norton, as well as his staff
18 in the Trade Division, Darcy Munroe and Ann Rosen.
19 It was very productive. I'll be providing the Board
20 with a report in the coming days.

21 With that, I think we can turn back to the
22 agenda, Mr. Chairman.

23 CHAIRMAN FUNDERBURG: Okay. Thank you very
24 much. Next, is the consideration and the approval
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1 of the minutes. Are there any additions or
2 corrections to the minutes of last month's meeting?

3 If not, is there a motion to approve?

4 BRONNER: So moved.

5 CHAIRMAN FUNDERBURG: Okay.

6 KNOX: Second.

7 CHAIRMAN FUNDERBURG: There's a motion and
8 second. All in favor, please say aye.

9 (A chorus of ayes.)

10 CHAIRMAN FUNDERBURG: Any opposed?

11 (No response.)

12 CHAIRMAN FUNDERBURG: Thank you. Next order of
13 business then is the financial reports.

14 Ms. Gildhart?

15 GILDART: Good morning. I'm Melinda Gildart.
16 I'm Chief Financial Officer of the Illinois Finance
17 Authority.

18 In summary, for FY15 results, unaudited
19 results, our net income number has not changed.
20 We're still looking about \$622,000 in unaudited net
21 income for FY15.

22 And those audits are -- the financial and
23 compliance audits are drawing to a close. They are
24 near completion, and we're still working on the

1 CAFR, which we hope to finalize in the next coming
2 week.

3 The summary results for FY16 unaudited,
4 our total revenues equal \$2.2 million, and it's
5 about \$619,000, or just under 40 percent over
6 budget, and that's driven mostly by higher closing
7 fees, higher than expected closing fees.

8 And we also have closing fees year to date
9 of \$1.7 million. So it's about 55 percent higher
10 than what we budgeted.

11 In October, we had closings from the
12 Columbia College, which generated fees of \$113,000;
13 Plymouth Place at \$111,000; Riverside Health System,
14 \$92,000; Nazareth Academy for \$70,000; Advocate
15 Health Care, \$48,000; and then we have various
16 agricultural-related closings for about \$13,000.

17 We also collected application fees of
18 \$11,000 from local governments and fire districts in
19 relation to the FY16 fire truck loan applications.
20 So those are added to our bottom line for revenues.

21 Our total annual expenses are 1.3 million,
22 and that's 21 percent below budget. Again, that's
23 driven mostly by vacant budgeted positions and the
24 delay in our IT projects and purchases.

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1 Our projected annual net income at this
2 point in the fiscal year is \$959,000; and again, the

3 major driver is lower than expected spending at 25
4 percent below budget.

5 Overall, the Authority continues to
6 maintain a strong balance sheet. We have
7 \$54,000,000 in assets and just \$918,000 in
8 liabilities.

9 Again, the Authority also accounts for
10 activity for the State of Illinois Component Units,
11 the Illinois Environmental Protection Agency, the
12 Illinois Medical District Commission and Northern
13 Illinois University Foundation, and their activity
14 is about \$158,000,000 on our balance sheet.

15 We processed 5.8 million in fire truck
16 loans and will seek to disburse them, once the
17 Authority completes its final administrative review.

18 As of June 30th, 2015, the Illinois
19 Agricultural Loan Guarantee Fund and the Illinois
20 Farmer Agri Business Loan Guarantee Fund have
21 expense amounts of \$155,000 in the loan guarantee
22 fund, and \$563,000 as a loss reserve for potential
23 loan payoffs for the ag funds.

24 Again, we are completing our FY14 and FY15

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1 financial compliance audits, and we will seek to
2 finish the CAFR soon. Are there any questions?

3 HORNE: I have one question on fees. You were
4 outlining for October, the Advocate fee of \$48,000.

5 It just struck me as a low fee compared to
6 the others, and I recall that being a very large
7 bond issuance. So was that just a small fee for

8 that issuance?

9 LENANE: Yes. Advocate issued a bond in May of
10 this year, which would have been the last fiscal
11 year, and then they bought -- they also approved the
12 refunding opportunity, but that refunding
13 opportunity wasn't available at the time they went
14 to the market, and the market wasn't good.

15 So at that time I priced it based on what
16 they actually issued. And then the market broke in
17 October, and we went really fast, two weeks start to
18 finish, and we issued those bonds. They got a
19 fabulous rate. So I only charged them the balance
20 of the fee.

21 HORNE: Okay.

22 LENANE: So the total fee would have been, I
23 think, like, 150 something.

24 HORNE: Okay. I just remember the bond amount
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1 was significant.

2 LENANE: It was significant.

3 HORNE: It seems small in the context of that.

4 LENANE: Right. It is about, I want to say, a
5 little over \$100,000,000 in bonds. So what we
6 authorized was larger in May. We had authorized it,
7 but it was based on what was authorized originally.

8 HORNE: Okay. Thank you.

9 GILDART: Any other questions?

10 CHAIRMAN FUNDERBURG: If there are no other
11 questions, then, is there a motion to accept the

12 financial report?

13 FLETCHER: If I may, Mr. Chairman.

14 CHAIRMAN FUNDERBURG: Yes.

15 FLETCHER: Let the record reflect before we
16 take the vote the arrival of Member Pedersen and
17 Member Tessler.

18 CHAIRMAN FUNDERBURG: Thank you. Okay. So is
19 there a motion to accept the financial reports?

20 GOETZ: So moved.

21 CHAIRMAN FUNDERBURG: By mr. Goetz. Is there a
22 second?

23 POOLE: Second.

24 CHAIRMAN FUNDERBURG: Seconded by Pool e. All
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1 in favor, please aye.

2 (A chorus of ayes.)

3 CHAIRMAN FUNDERBURG: Any opposed?

4 (No response.)

5 CHAIRMAN FUNDERBURG: Thank you. Also, just
6 please note that there are, regarding monthly
7 procurement reports.

8 GILDART: We will update the Board in December
9 on procurement activity.

10 CHAIRMAN FUNDERBURG: Okay, very good. Thank
11 you. There were no committee reports for the month,
12 so we'll move on to the projects report and
13 resolutions.

14 I would like to ask the Board if it's okay
15 if we go ahead and take them collectively in general
16 consent.

17 Is that agreeable with the group?

18 (A chorus of ayes.)

19 CHAIRMAN FUNDERBURG: No one is opposed. Thank
20 you.

21 MEISTER: But I do believe that we have a
22 member that there are going to be conflicts on a
23 couple of them.

24 CHAIRMAN FUNDERBURG: Yes. Right. You want to
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1 address it at this point. Adam?

2 ISRAELOV: Right, yes. Items 7 and 11, so I'll
3 have to recuse myself from consideration and
4 deliberation on voting. Citibank Capital Markets I
5 think is a client of my employer.

6 MEISTER: And also to Item 9, I just want to
7 speak briefly to that. That item is going to be
8 withdrawn.

9 Some weeks ago I circulated a memo
10 regarding possible loans by the Illinois Finance
11 Authority to local governments, in connection with
12 motor fuel tax and 911 services to Illinois local
13 governments.

14 I had received a contact from a downstate
15 sheriff that is facing financial troubles with his
16 911 service, due to the budget impasse. We've taken
17 the 911 portion and rolled it into Item 11. I
18 received no similar outreach from any local
19 government concerning motor fuels tax; and as a
20 result, I'm withdrawing this Item 9.

21 CHAIRMAN FUNDERBURG: Okay. 7 and 11 will be
22 considered separately, and Item 9 is dropped from
23 the agenda. Okay?

24 MEISTER: Yes.

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1 CHAIRMAN FUNDERBURG: Next up is the
2 agricultural project.

3 FRAMPTON: I believe we have Patrick Evans on
4 the phone.

5 EVANS: Correct. We have one beginning farmer
6 bond. Michael and Stephanie Taylor, purchasing
7 33 acres of farm land for \$330,000 for \$10,000 per
8 acre. The property is located in Whiteside County
9 in the northwest corner of Illinois.

10 The individuals are injecting 30.3 percent
11 of the purchase price with the Community State Bank
12 of Rock Falls financing 69.7 percent or \$230,000.

13 They are utilizing the Illinois beginning
14 farmer bond. The loan would be a 25-year amortized
15 loan, requiring monthly -- I mean, requiring annual
16 principal and interest payments. The initial
17 interest rate will be 3.25.

18 The interest rate will adjust every five
19 years at 1 percent below Wall Street general prime,
20 with a floor of 3.25 and a cap of 8.25 will be
21 established.

22 Any questions?

23 CHAIRMAN FUNDERBURG: Pat, no questions here.

24 Thank you.

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1 FLETCHER: Okay. Mr. Chairman, Members of the
2 Board, Tab No. 2 is a proposed preliminary bond
3 resolution for Adler University, a not-to-exceed
4 amount of \$19.1 million.

5 Adler University is a private, non-profit,
6 postbaccalaureate school for social and health
7 sciences. The physical campus is currently in
8 downtown Chicago, as well as Vancouver, Canada. And
9 this is a graduate school essentially for
10 psychologists, both Graduate Degrees as well as
11 Doctorate Degrees.

12 The proposed transaction before you would
13 enable Adler to acquire its space that it currently
14 leases at its downtown campus located in the
15 building known as One North Dearborn. They have a
16 mailing address of 17 North Dearborn.

17 The proposed bond would be purchased
18 directly by MB Financial through a direct purchase
19 structure. An IFF subordinate loan and Adler cash
20 will provide the remaining sources of funds to
21 provide for the total \$25,000,000 acquisition.

22 Turning to our confidential analysis on
23 page 8 of the report, you'll note that we provided a
24 financial forecast, because Adler is a non-rated

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1 entity, pursuant to guidelines adopted by our credit
2 committee beforehand.

3 Our forecast anticipates that Adler will
4 generate sufficient operating cash flows to cover
5 the proposed debt service in connection with the
6 Series 2015 bond. Again, your consideration today
7 is for preliminary bond resolution.

8 Once business terms of the transaction are
9 finalized, and bond documents have been
10 substantially finalized, we will return for your
11 final consideration. We recommend approval, and I
12 can take any questions at this time.

13 CHAIRMAN FUNDERBURG: Okay. Thank you,
14 Mr. Fletcher. Ms. Lenane?

15 LENANE: Yes. I'm sorry. Sarah Bush Lincoln
16 now returns for a final bond resolution. Sarah Bush
17 Lincoln returns for a final board resolution in the
18 amount of \$30,000,000 for a bank private placement.

19 They have selected Bank of America, and
20 that is really the only change since the last -- one
21 more change. They have not received yet a
22 certificate of need for the new cardiology wing that
23 they are financing, but they are going to pass the
24 bond resolution.

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1 And they have a list of substitute
2 projects that they would finance, in the event they
3 don't receive the CON for the cardiology wing. So
4 that's -- the only other change, and then Jordan
5 Feffer is here, counsel to Sarah Bush Lincoln, and
6 the CFO Dennis Pluard would have liked to have been
7 here today, but he had a conflict and it's a far

8 drive.

9 So Jordan is going to just speak a little
10 about the project. I told him he had a minute.

11 FEFFER: Sarah Bush Lincoln would like to thank
12 Mr. Chairman and all the Board Members for the
13 opportunity. Driving in, potentially, it would be a
14 little risky, because there's some tornado in East
15 Central Illinois. So it might have been a little
16 bit of hike for them.

17 But Sarah Bush is very excited for this
18 opportunity. It involves new construction of a
19 medical surgical unit that would include 19,000
20 square feet of surgery units, about 32,000 square
21 feet of recovery units.

22 Also, a new cardiology, as Pam mentioned,
23 43,000 square feet, along with ambulatory medical
24 units, and obstetrics and pediatric units, along

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1 with the new Toledo Clinic.

2 This would result in approximately 90 new
3 jobs and 60 construction jobs. So Sarah Bush is
4 very excited about this potential project. So I
5 appreciate your consideration.

6 CHAIRMAN FUNDERBURG: Thank you.

7 LENANE: Thank you. Any other questions?

8 ISRAELOV: I have one question. On page 2, it
9 talks about the purpose and the proceeds of the
10 bond, what they will be used for; and then the use
11 of proceeds I see \$19.7 million is going towards the

12 project fund and \$10,000,000 going towards
13 reimbursement.

14 Can you just talk through the
15 reimbursement, what's covered in that?

16 LENANE: Well, some of this they've already
17 started, and I don't think I have the breakout.
18 Some of this they've already started work on.

19 And, you know, if they pass a
20 reimbursement resolution, they can go back 18 months
21 and pick up money that they've spent and reimburse
22 themselves under the tax rules for that money.

23 I don't have that exact breakout on what
24 they are reimbursing themselves for. I believe it's

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1 portions of this, but I think we could probably get
2 that. Couldn't we?

3 Bond counsel, Amy Cobb Curran, is here, or
4 Dan Bacastow can speak to that.

5 BACASTOW: Thank you, Pam.

6 THE COURT REPORTER: Spell your name, please.

7 BACASTOW: I'm Dan Bacastow. Dan Bacastow,
8 B-a-c-a-s-t, as in Tom, o-w. Bond counsel and
9 partner at Chapman & Cuttler, and we are the bond
10 counsel on this particular issue, and reimbursement
11 is a tax issue for us to complete, because there are
12 very prescribed rules with respect to what can or
13 cannot be reimbursed.

14 Under the regulations, Pam alluded to the
15 18-month rule, which allows us to go back and pick
16 up expenditures, but only if the borrower has

17 adopted an appropriate reimbursement resolution,
18 prior to incurring those expenditures, other than
19 preliminary expenditures.

20 And the Sarah Bush Lincoln project is part
21 of the completion of a master facilities plan, and
22 some of those expenditures were, in fact, incurred
23 over the last 18 months to complete those projects.
24 They are the same projects that are listed in the
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1 resolution.

2 So in terms of the substantive projects,
3 they're not any different, but we do have, as part
4 of that masters facilities plan, emergency
5 department, surgery, imaging, third- and
6 fourth-floor bed units, surgery units and temporary
7 OR, during the construction of the additional
8 surgery units, and lobby improvement projects.

9 So it's all part of the general project.
10 It's been ongoing, and in order to efficiently
11 finance their project, rather than issue the bonds
12 18 months ago, they've waited until they had
13 completed those projects and now are in a position
14 to more economically finance the entire project,
15 both the reimbursement component, as well as the
16 perspective component.

17 So that's the reason for the significant
18 reimbursement here.

19 ISRAELOV: Thank you.

20 BACASTOW: You're welcome.

21 GOETZ: Mr. Chairman, I would just like to make
22 a comment. I'm very, very familiar with this part
23 of the state; and if it wasn't for you guys, there
24 wouldn't be any healthcare at all available. You

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1 are really to be commended for doing these additions
2 and upgrades and stuff. You are the only game in
3 town.

4 BACASTOW: We've got an 18-county footprint.

5 CHAIRMAN FUNDERBURG: Thank you, Mr. Goetz, for
6 that comment. Also, I would like to just mention,
7 too, I think that IFA has done a pretty good job of
8 having impact throughout the state, and we're
9 certainly going to continue that effort and broaden
10 that and reach out even further. Thank you.

11 BRONNER: Just one comment or observation,
12 relative to job data, which I'm trying to monitor
13 now.

14 I will go back and say it's nice to see 90
15 new jobs projected here, of which 60 will be
16 construction jobs that are projected, but I did want
17 to say just relative going back to Adler University,
18 I would think, at a minimum, the current jobs would
19 be retained. I mean, it was an NA.

20 FRAMPTON: We don't count jobs that are staying
21 as retained jobs unless they are going to leave, if
22 they're going to leave the state, for example. So
23 that's the distinction.

24 BRONNER: Except we have it here for Sarah Bush

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1 Lincoln. So I'm thinking before we have categories,
2 we should probably consistently report information
3 across the different --

4 FRAMPTON: True.

5 CHAIRMAN FUNDERBURG: Consistently and then
6 cumulatively as well.

7 BRONNER: So we will be able to keep track and
8 have some trend data and statistics for ourselves.

9 CHAIRMAN FUNDERBURG: Thank you. Great point.
10 Thank you.

11 FLETCHER: If I may.

12 BRONNER: Yes.

13 FLETCHER: It's simply a preliminary resolution
14 at this time. We can request that information, if
15 it's available. There is not necessarily a forecast
16 or model done for jobs.

17 In a nutshell, what Adler University is
18 proposing is just exchanging lease payments for debt
19 service, their costly lease these payments in favor
20 of cheaper debt service.

21 So I don't know that a job model will be
22 created towards the retention, although we can
23 certainly ask when this comes back for a final, we
24 will have that answer.

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1 CHAIRMAN FUNDERBURG: And I think Ms. Bronner's
2 comment applies to all of everything.

3 FLETCHER: Sure.
4 CHAIRMAN FUNDERBURG: Thank you for clarifying.
5 BRONNER: Thank you.
6 CHAIRMAN FUNDERBURG: Any other further
7 questions for Ms. Lenane on that project?
8 LENANE: Could I just make a correction? I
9 think you said the 60 construction jobs are in the
10 90. They are not. Those are additional jobs.
11 BRONNER: Great.
12 LENANE: And those are new permanent jobs, 90
13 jobs; and then the construction job, as you know,
14 are just they come on and off. And that really is
15 an estimate because, you know, some of the projects
16 we're reimbursing for, some are new projects, and
17 it's separate. It's not inclusive.
18 BRONNER: I will also suggest, then, we have
19 estimated included in our job data.
20 LENANE: I think one time we did.
21 CHAIRMAN FUNDERBURG: We will address that
22 going forward. Thank you all very much.
23 Any other questions on that particular
24 project? No? Please.

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1 LENANE: Okay. Next is a final bond resolution
2 for Passavant Memorial Area Hospital Association for
3 \$24,200,000. It's a direct bank placement with PNC
4 Bank, and this really has nothing new added to it.
5 It's a straight refunding of its 2006 A and 2006 B
6 bonds.

7 Yes, and added is the guarantee of

8 Memorial Health Systems, which they have now become
9 affiliated with. So, but the bonds, these are
10 Passavant bonds, that they're refunding.

11 When they reissued, I have a question, are
12 they going to say Passavant, or are they going to
13 say Memorial? They are going to say Passavant?

14 BACASTOW: Passavant is the borrower.

15 LENANE: Okay.

16 BACASTOW: And there is a separate guarantee of
17 Memorial Health System.

18 LENANE: They haven't been merged into the
19 obligated debt yet?

20 BACASTOW: They are not. They are part of the
21 same credit group.

22 LENANE: Yes.

23 BACASTOW: They have a parent affiliate
24 relationship or subsidiary relationship, with

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1 Passavant being the subsidiary, and the parent being
2 Memorial Health System, which is providing a
3 separate guarantee, but the bonds are the bonds of
4 Passavant, the obligation bonds.

5 LENANE: As you can see, Dan is our southern
6 Illinois bond counsel.

7 Any other questions?

8 CHAIRMAN FUNDERBURG: Okay. Thank you very
9 much.

10 LENANE: Okay. Thank you.

11 CHAIRMAN FUNDERBURG: Mr. Frampton?

12 FRAMPTON: Quickly, Tab 5 is a resolution to
13 amend the existing bond and loan agreement for Alef
14 Sausage. Alef actually borrowed through two
15 special -purpose entities that they formed to own
16 both real estate associated with the project and the
17 equipment back in December of 2010.

18 The Authority issued approximately
19 3,000,000 of bonds to finance the construction and
20 equipment of a 19,000 square-foot building that
21 added to Alef's existing 16,500 square-foot facility
22 in Mundelein.

23 As a result of the project, they were able
24 to double their production capacity. In terms of

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1 the amendments to the bond and loan agreement, they
2 will enable the interest rate to be reset as
3 scheduled back at the time the original bonds were
4 issued. Although this will be a reissuance for tax
5 purposes, the Authority will not be charging a fee.

6 Bonds that are sold into the market, when
7 they reset interest rates, typically they do not
8 have to go through a reissuance. They also don't
9 even need Board approval or consent, ordinarily.

10 So we're attempting here to provide
11 equivalency between the local bank purchase deals
12 and the transactions for our borrowers that are sold
13 out into the market. The outstanding principal
14 amount of the bonds is approximately \$2.95 million.

15 Presently, First American Bank was the
16 purchaser. As the purchaser, First American bears

17 all risks as the bond holder. They are also the
18 relationship bank for Alef.

19 Any questions. Okay. Thank you.

20 CHAIRMAN FUNDERBURG: Thank you.

21 WEBER: Hello. I'm Elizabeth Weber, general
22 counsel to the Authority. I'm speaking on Item 6,
23 which will authorize the continuation of the
24 Authority's employee benefits and payroll services

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1 with ADP, pending a competitive solicitation or
2 other options for these services.

3 Specifically, the resolution approves the
4 most recent contract, which is a 90-day contract
5 ending at the end of January of 2016 and allows for
6 extensions, as needed.

7 Are there any questions?

8 JURACEK: I don't seem to have that resolution
9 in my packet. I don't have anything on 7 either. I
10 might have a shortchanged packet.

11 WEBER: Let me give you my copy.

12 JURACEK: Okay.

13 BRONNER: It's in the folder.

14 JURACEK: No, it's not.

15 WEBER: It begins with a memo.

16 JURACEK: I don't have it.

17 WEBER: I'll give you my copy.

18 HORNE: It's kind of stuck there, but it is in
19 there.

20 JURACEK: It's not in mine.

21 MEISTER: I don't know what happened. We can
22 provide that.

23 BRONNER: It's a single page ahead of the memo.

24 JURACEK: I have no resolution.

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1 ISRAELOV: Is this for both 6 and 7?

2 WEBER: It's for 7.

3 JURACEK: There is a 6 memo. Thank you. I
4 appreciate that. Thank you.

5 WEBER: Any other questions? Okay.

6 CHAIRMAN FUNDERBURG: Thank you.

7 MEISTER: Item No. 8 is the resolution for the
8 selection of trustees and/or paying agents for
9 financing options for debt issuances for one or more
10 public purpose projects through an emergency
11 procurement.

12 Last month, and this is a smaller piece of
13 what we're going to be addressing on Items 7 and 11,
14 we came to the Board. We authorized -- I asked for
15 Authority to move forward with emergency purchases
16 under the Procurement Code for necessary parties for
17 moral obligation backed financing involving certain
18 State receivables incurred by State vendors.

19 The trustee is a necessary party. There
20 was a robust on the -- the emergency purchase
21 provisions of the Illinois Procurement Code are
22 exempt from a conventional code procurement, but the
23 statute does call for as much competition as is
24 practicable.

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1 The staff of the Authority engaged in
2 that. An RFP was posted. Responses came in, and
3 the staff graders, of which there were three, Rich
4 Frampton, Pam Lenane, and Six Granda, recommended
5 Zion's First Bank to serve as trustee/paying agent
6 or bond registrar, in connection with whatever bond
7 issue or direct purchase is ultimately provided.

8 Turning to Agenda Item No. 10, back in
9 July, and I know that we've had some new additions
10 to the Board, but over time, the Authority had
11 developed a rather robust committee structure that
12 has sort of grown like a coral reef over time.

13 I sat down with the Chairman, and I
14 recommended streamlining that in July. We adopted a
15 resolution reconstituting five committees. One
16 would be the Audit Budget Finance Investment and
17 Procurement, what I've referred to as Audit Plus.

18 The second as Governance Personnel and
19 Ethics, although based on some discussions that
20 we've had, I believe that we should move Legislation
21 from the Audit Committee down to the Governance
22 Committee, and that is reflected in this resolution.

23 The third committee is Tax Exempt Conduit
24 Transaction, which is really our core business,

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1 which previously had been spread among at least
2 three committees: A Healthcare Committee, an

3 Education Committee, and an Infrastructure
4 Committee. I think this combines all of the conduit
5 and the Ag Committee. It combines all of the ag, or
6 all of the conduit transactions, in a central home.

7 The fourth committee is Direct and
8 Alternative Financing. From time to time, as people
9 who are on the Board, and people that follow the
10 Board know, the Board and the staff consider direct
11 commitments of the Board's balance sheet or other
12 aspects, say, involving state guarantees, state
13 contingent guarantees and other items where either
14 the taxpayer dollars are at risk or the Authority's
15 balance sheet may be at risk.

16 I recommended that it would be appropriate
17 for this to be, since it's more of a risk committee,
18 to be housed in this committee.

19 And then, ultimately, something new,
20 because these four prior committees really represent
21 consolidations of prior existing committees, that we
22 would form an Executive Committee headed by the
23 Chairman and the Chairs of these four other
24 committees.

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1 We provided a breakout of the committee.
2 We hope that it's been generally fair on the
3 volunteer -- calling on the volunteer nature of the
4 Board.

5 The chairs of the committee that we are
6 recommending are Gila Bronner is Chair of Audit
7 Plus. Eric Anderberg is Chair of Governance plus,

8 including legislation. Bob Horne is Chair of Tax
9 Exempt Conduit Transactions. And Lerry Knox is
10 chair Of Direct and Alternative Financing.

11 Any questions?

12 CHAIRMAN FUNDERBURG: Okay. No questions.
13 Then I would like to ask that the Board adopt the
14 following projects and resolutions 1, 2, 3, 4, 5, 6,
15 8 and 10. Is there such a motion?

16 ANDERBERG: So moved.

17 GOETZ: Seconded.

18 CHAIRMAN FUNDERBURG: Is there a second over
19 there here, too?

20 GOETZ: Yes.

21 MEISTER: By Mr. Goetz.

22 CHAIRMAN FUNDERBURG: Who made the motion then?

23 MEISTER: Eric.

24 FLETCHER: Mr. Anderberg.

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1 CHAIRMAN FUNDERBURG: Okay. There is a motion
2 and a second.

3 FLETCHER: There's a motion. I'll call the
4 roll. Mr. Anderberg?

5 ANDERBERG: Yes.

6 FLETCHER: Ms. Bronner?

7 BRONNER: Yes.

8 FLETCHER: Mr. Goetz?

9 GOETZ: Yes.

10 FLETCHER: Mr. Horne?

11 HORNE: Yes.

12 FLETCHER: Mr. Israelov?
13 ISRAELOV: Yes.
14 FLETCHER: Ms. Juracek?
15 JURACEK: Yes.
16 FLETCHER: Mr. Knox?
17 KNOX: Yes.
18 FLETCHER: Mr. Pedersen?
19 PEDERSEN: Yes.
20 FLETCHER: Mr. Poole?
21 POOLE: Yes.
22 FLETCHER: Mr. Tessler?
23 TESSLER: Yes.
24 FLETCHER: And Mr. Chairman?

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1 CHAIRMAN FUNDERBURG: Yes.
2 FLETCHER: Mr. Chairman, motion carries.
3 CHAIRMAN FUNDERBURG: Thank you. Next up we
4 have Items 7 and 11. Mr. Israelov, please. Thank
5 you.
6 (Motions to leave room.)
7 FLETCHER: And let the record reflect Member
8 Israelov has stepped out of the room. Chris?
9 MEISTER: Speaking to Agenda Item 7, the
10 resolution approving the selection of underwriters
11 for financing options for debt issuances for one or
12 more projects, including public purpose projects
13 under an emergency procurement, we have several
14 memos that have been provided in the manila folder
15 and are also posted on our website.
16 The first is entitled "Memo" in large

17 letters from our financial advisors, one of whom is
18 here today. Melanie Shaker, could you stand up from
19 Sycamore Financial?

20 Her colleague, Jim Beck, from Acacia
21 Financial, could not be here today, but this memo
22 provides a rather lengthy summary of the emergency
23 procurement that the staff of the Authority and its
24 contractual financial advisors and outside counsel,
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1 Katten Muchin, and our staff engaged in, based on
2 the October 8th resolution.

3 In summary, we placed an RFP, publicly
4 placed it. We received up to 19 responses. We
5 narrowed those down to six in-person interviews with
6 teams, and then four subsequent -- four
7 subsequent -- four quality interviews.

8 The staff of the Authority is pleased to
9 recommend Citibank as the investment banker to this
10 Board. Actually, it's formal name is Citigroup
11 Capital Markets Group, Inc., also known as Citi.

12 This is a zero-dollar contract at this
13 point. I think that we have representatives of Citi
14 here today. Could you stand and introduce
15 yourselves?

16 COOMES: I'm Tom Coomes.

17 PADGETT: Brad Padgett.

18 MEISTER: So in the event that Item No. 11 is
19 approved today, and part of Item No. 11 is that as
20 early as this afternoon and tomorrow, we hope to, if

21 this resolution is approved, we would reduce that
22 agreement to writing, have Citi enter into a
23 contract.

24 We would begin working on the structuring
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1 of a transaction that we would return to the Board
2 with either at the regularly-scheduled December
3 meeting; or, if the need arises, we would recommend
4 to the Chairman that we would have a special meeting
5 called before the December meeting.

6 For the Citi folks, I am correct that this
7 is -- at this point, it is a zero-dollar contract,
8 and you will only be paid if we have a final
9 resolution and if we have a closed deal?

10 COOMES: That's correct.

11 CHAIRMAN FUNDERBURG: Any questions? If there
12 are no questions, then would you move on, please?

13 MEISTER: Yes. Moving on to agenda Item 11 in
14 this, as I began this meeting, certainly Illinois
15 State Government is experiencing extraordinary
16 times, and we laid the foundation for this request
17 on October 8th, Agenda Item 9, which is also
18 contained in your package.

19 In that, we outlined basically the
20 situation. We have received a request from the
21 Governor's Office, and the Governor's Office of
22 Management and Budget, to look in our statutory
23 tool box provided by the General Assembly, and see
24 what measures that this Board can take to ameliorate

1 the difficulties faced by State vendors.

2 Resolution and 911 agencies, that I will
3 address separately. Agenda Item No. 11 is, in
4 essence, a preliminary resolution, similar and
5 analogous to the preliminary resolutions that the
6 Board hears on conduit deals. However, there is a
7 substantive difference. This is not conduit.

8 And in connection with this, we will be
9 asking the Governor of Illinois to sign off on a
10 moral obligation, which is a statutory contingent
11 taxpayer pledge to back these bonds.

12 The bonds ultimately will be repaid from
13 appropriations, appropriations that we believe were
14 contained in the budgets that were passed by the
15 Illinois General Assembly in the spring, and
16 contained in the Governor's introduced budget.

17 These will be budgets consistent with the
18 emergency purchase procedures under the Illinois
19 Procurement Code that will be essential governmental
20 goods and services. Basically, that if these bills
21 to vendors are not paid, there will be a threat to
22 public health and safety.

23 There will be -- it calls for -- or No. 2
24 calls for an immediate expenditure for repairs to
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1 State property or to protect against further loss or
2 damage to State property.

3 3, to prevent or minimize serious
4 disruption for clinical State services that effect
5 health, safety, collection of substantial State
6 revenues; or 4, to insure the integrity of State
7 records.

8 From what I understand of the vendors that
9 are likely to be paid with these bond proceeds, the
10 ones that have been provided to me, I will tell you
11 that they will meet these standards to some; and to
12 give it by way of example, some of the vendors that
13 I have been told about are the companies that repair
14 snowplows for the Illinois Department of
15 Transportation.

16 Here we are in November. These small
17 business with unionized employees that's
18 minority-owned that cleans the James R. Thompson
19 Center, of course despite no State budget, but under
20 court order, State employees are continuing to work
21 in the James R. Thompson Center; and food vendors
22 for residents of the State Veteran's Homes and
23 inmates in the custody of the Department of
24 Corrections.

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1 So under State Law, vendors are entitled
2 to what is known as statutory prompt payment
3 interest or penalty. It accrues on the 91st day at
4 the rate of 1 percent a month.

5 And so what the IFA would be doing is
6 borrowing money, and then repaying -- and then using
7 the proceeds to purchase these receivables, and then

8 step into the shoes of these vendors on the
9 statutory prompt payment.

10 With respect to that, I am asking in our,
11 Melinda, our general fund currently stands at
12 roughly \$17,000,000?

13 GILDART: In investments.

14 MEISTER: In investment. So the Authority has
15 roughly \$17,000,000 in general funds. It is
16 invested. We have \$600,000 to \$700,000 that are
17 liquid at this time.

18 We have pledges against that \$17,000,000
19 in a loan that is being processed for the City of
20 Blue Island and for various DACA medical students at
21 school, at Loyola University.

22 But I'm recommending to the Board that we
23 take \$12,000,000 of that \$17,000,000 fund, we begin
24 the process to liquidate our short-term investments.

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1 We had a conversation two days ago with
2 Clear Arc, who is our investment manager. Most of
3 these investments are in one- to three-year
4 investments. That we begin to liquidate these in
5 mitigating loss as much as possible.

6 I cannot predict the future, but our work
7 with Clear Arc in this area is that they've been
8 generally successful in this area, but time will
9 tell.

10 And I'm asking the Board to authorize
11 myself, or other authorized officers, including the

12 Chairman, to then have the authority to liquidate
13 these investments and use the \$12,000,000, and it
14 will be used as follows: Certain of these vendors,
15 since there has not been a State budget since July,
16 are basically at the end of their rope and will be
17 either cutting off services and goods to the State,
18 or they will be facing some sort of financial
19 catastrophe.

20 There are a relatively small number, in
21 the range of one to two to three million dollars,
22 will be working with Governor's Office of Management
23 and Budget to identify these; and as early as
24 Friday, Monday, Tuesday, the Authority would be

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1 basically purchasing certain of these receivables
2 and stepping into the shoes for prompt payment
3 purposes.

4 That group of receivables would either be
5 taken out by any ultimate bond issue, or the
6 Authority would be able to sit in these on an
7 investment that could bear up to 9 percent annual
8 interest.

9 The second purpose is that in our
10 discussions with Citigroup, in order to make the
11 proposed transaction as efficient as possible, that
12 it may be appropriate, and this would be -- the
13 exact terms of this would be contained in a final
14 resolution that would return to the Board either in
15 December or in a special Board meeting, that the
16 Finance Authority make some sort of what I would

17 term an equity contribution to the transaction,
18 either to defray the cost of the issuance.

19 That could run north of a \$1,000,000,
20 and/or to fund a debt service reserve fund which
21 would stand in front of the moral obligation.

22 Again, until we run numbers, and until we sign a
23 contract and sit down with Citi, and the financial
24 advisors, and Citi's lawyers, and our lawyers, I'm

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1 not able to discuss what the range of this would be.

2 And the third purpose, which is separate
3 from the transaction, the bond transaction that I'm
4 discussing, is there are 911 agencies. They are
5 funded by a telecom surcharge. This telecom
6 surcharge flows through the State budget, and there
7 has not been a State budget since July 1st. I'm
8 recommending to the Board that the Authority and the
9 Executive Director and the authorized officers, be
10 provided the authority to make direct loans from our
11 balance sheet to these 911 entities.

12 Because I understand, and I've spoken with
13 the Sheriff of Christian County, who reached out to
14 me, who's confirmed this, that a number of these,
15 particularly outside of northeastern Illinois, will
16 be closing their doors and southern Illinois people
17 will dial 911, and there will be nobody there to
18 pick up the phone.

19 So that is the summary. I'm prepared to
20 answer questions, including those on the various

21 risks that we will be collectively facing. Mayor?

22 JURACEK: Yes, thank you. Just to clarify, you
23 and I spoke yesterday when we talked about the 911
24 agencies. You said those would be zero-interest

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1 loans to them?

2 MEISTER: Yes. That is my recommendation to
3 the Board. The resolution actually provided some
4 wiggle room; but as I spoke to various Board
5 Members, there was consensus that this being -- 911
6 service being an essential public safety government
7 purpose, that this would be something that I'm
8 comfortable recommending to the Board at zero
9 interest.

10 JURACEK: And I really appreciate the much
11 narrower scope of what we're being asked to vote on
12 today versus what was presented in our authority to
13 you to investigate, which would have included motor
14 fuel tax funds.

15 As a mayor, I joined all the other mayors
16 who said this is silly. It prolongs the State
17 impasse, especially at that point in time there was
18 some discussion as to whether there would be
19 interest charged on those cash flow loans, we'll
20 call it, which would just add to the cost of local
21 taxpayers and shift really a burden from the State
22 to the local taxpayers.

23 So I think it's really important -- it was
24 important for me to get comfortable with this, and I

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1 think it's important for everybody else to
2 understand we're talking about a much narrower scope
3 of application here.

4 The whole sign of this to vendors, and the
5 Prompt Payment Act, is a plus because the State --
6 it's basically a sunk cost. The State is not
7 paying. The contracts with these small vendors are
8 subject to the Prompt Payment Act.

9 Either the vendors get the interest, or
10 I'm assuming Citibank gets the interest here in
11 payment for this. So it's no additional cost, given
12 the situation that we have, but it provides the
13 immediate cash flow.

14 And I know for a fact that many of these
15 vendors are small vendors, are minority vendors. In
16 my previous life, I sat on the board of the Jane
17 Adams Hull House Association, which no longer
18 exists. It went bankrupt for a number of cash flow
19 reasons.

20 And I know that many of the vendors
21 involved in that whole deal were small minority
22 vendors who just simply could not withstand this
23 kind of cash uncertainty situation.

24 The big risk I see is as a moral

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1 obligation bond, that it is now shifting that risk
2 from the vendors to the Illinois Finance Authority.

3 That's not a bad thing, again, because many of these
4 vendors are ill-equipped to handle this kind of
5 risk; and if we're going to shift it anywhere, at
6 least it's consolidated here in a single entity that
7 we can perhaps even help manage.

8 But, quite frankly, as a mayor, I say
9 we're all kind of subject to this larger moral
10 obligation risk, you know, from the State, until
11 such time as we get our motor fuel tax funds, our
12 share of the state income tax.

13 Our sales tax revenues are even being held
14 up until we get these monies. We're all subject to
15 this risk, and I see this as a way of at least
16 mitigating it to the narrow field of beneficiaries
17 that we're proposing.

18 CHAIRMAN FUNDERBURG: Okay. Thank you. Are
19 there any other questions?

20 TESSLER: Yes. Is the \$12,000,000 that you're
21 talking about utilizing that we won't have in the
22 Finance Authority, because we'll be spending it,
23 correct?

24 MEISTER: Correct.

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1 TESSLER: Is it, therefore, to be used that we
2 won't be able to use it for, because we won't have
3 it anymore if we're spending?

4 CHAIRMAN FUNDERBURG: Opportunity cost.

5 MEISTER: It's an opportunity cost. We will
6 not have it to collect interest in these
7 investments, which I think last year -- what was the

8 interest?

9 GILDART: \$200,000.

10 MEISTER: Yeah. So a portion of that last year
11 we collected \$200,000 in revenue from investments
12 from this.

13 One item that I have been considering at
14 various times, before the current extraordinary
15 circumstances, is I had hoped to reach a point where
16 we could start to reinvigorate our local government
17 loan program, which went back to the old Rural Bond
18 Bank, which a couple of years ago we used our
19 balance sheet to bring those moral obligations in;
20 and now we have a portfolio of 60 to 70 local
21 government loans, mainly alternate revenue bonds
22 that are repaying for central government purposes,
23 like water and sewer systems.

24 And they're repaying principal and
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1 interest to the Authority, and that helped our
2 balance sheet immeasurably when conduit issuance
3 went into a trough.

4 So we will not be able -- we'll have to
5 delay investment on initiating a program and coming
6 to the Board with a program like that because we'll
7 have somewhat less than \$5,000,000, particularly
8 after the DACA funds are transferred and the Blue
9 Island funds are transferred .

10 TESSLER: The cost to liquidate it, we don't
11 yet know. I mean, in the unlikely event the State

12 actually pays this before the penalty of the
13 interest kicks in, we may actually lose money on
14 this deal, not just on making money if they pay us
15 back quickly.

16 MEISTER: And I'm glad --

17 TESSLER: We don't know the cost to liquidate,
18 what it is, but it's going to be a cost?

19 MEISTER: I'm actually glad you posed the
20 question in the way that you did. It does give me
21 an opportunity to talk about the risks, and I
22 want to be --

23 TESSLER: We may lose money just that quickly,
24 and they may never pay it back?

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1 MEISTER: Exactly. There may not be an
2 appropriation. There may be a challenge to the
3 prompt payment. There may be the cost to liquidate
4 the funds. It may out balance the upside of the
5 interest. There may be early payment.

6 These are specific real risks, that I'm
7 going to be quite upfront with the Board, there are
8 risks. But one of the Board Members posed,
9 generally, when there is great risk, there is
10 generally great upside.

11 In this case, we're being called really to
12 address -- to take a risk not with the expectation
13 of a financial upside for the Authority, but in a
14 small way to light a candle in the darkness of a
15 larger State budgetary impasse of which we are not a
16 direct participant.

17 GOETZ: Chris, are the 911 loans coming out of
18 the \$12,000,000?

19 MEISTER: Yes.

20 GOETZ: Okay. I just think this is a good use
21 of our broad authority that we have to try to
22 eliminate some of this backlog of payments going to
23 these vendors.

24 A lot of them are very small vendors, and
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1 they just can't afford to carry the State. One of
2 the upside, as I understand it, what is the interest
3 rate we're going to have to pay on the bonds?

4 MEISTER: Melanie or Citi, one of you, why
5 don't you address that.

6 GOETZ: What's the approximate interest rate
7 we're going to have to pay Citi?

8 SHAKER: I think it's going to be dependent on
9 what the market looks like, and what the structure
10 of the deal is. The final structure of the deal is
11 not determined what kind of a form it's going to be.

12 GOETZ: Would it be less than 9 percent?

13 SHAKER: I would expect so; but again, I can't
14 commit to that.

15 GOETZ: So are we in the spread?

16 CHAIRMAN FUNDERBURG: It's possible. So,
17 Mr. Tessler, your point is very well taken. There
18 will be some costs.

19 There may be some opportunity costs
20 relative to the rates that we're receiving on our

21 investment portfolio at the time.

22 The biggest risk, from my standpoint, is
23 appropriation risk, at some point in time in the
24 future, but that is really the business that the IFA

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1 is in. We take risks, to try to help the citizens
2 of Illinois through economic development and other
3 matters.

4 And I think that there is some irony here,
5 too, that here an agency of the State of Illinois is
6 discussing the relative risks of doing business with
7 the State of Illinois .

8 TESSLER: And no one feels good about it.

9 BRONNER: In fact, Mr. Chairman, if you look at
10 page 2 of the memo, the Lou Greenbaum memo, I think
11 specifically where it speaks to authority to carry
12 the structure of IFA, the first paragraph there,
13 this is really, I believe, exactly in concert with
14 our specific mission and authority, and was
15 contemplated as such by the General Assembly as
16 described here in this paragraph.

17 CHAIRMAN FUNDERBURG: Thank you.

18 KNOX: Quick question.

19 CHAIRMAN FUNDERBURG: Yes.

20 KNOX: Chris, as it relates to the \$5,000,000
21 that is going to be left in our portfolio, how much
22 of that is encumbered? How much free capital will
23 we have?

24 MEISTER: After DACA and Blue Island, what are

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1 we looking at?

2 GILDART: I mean, that's the \$5,000,000 that we
3 have to take into account, payroll and AP.

4 MEISTER: Yeah.

5 GILDART: So we would have to update our cash
6 flow.

7 MEISTER: So DACA and -- DACA and Blue Island
8 have already been taken out?

9 GILDART: Yes.

10 MEISTER: Okay.

11 KNOX: So it's five?

12 MEISTER: It's five.

13 HORNE: Any other on there?

14 CHAIRMAN FUNDERBURG: Excuse me, yes.

15 PEDERSEN: I think that this is setting a good
16 precedent. The legislature has adopted legislation
17 that is requiring municipalities that have small
18 dispatch centers to begin to consolidate those with
19 larger ones.

20 The funding of those larger consolidation
21 dispatch centers comes from the 911 fee, and so
22 establishing this going forward, as sort of an
23 emergency funding mechanism, I think, is beneficial.

24 My town is not in a real need for these

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1 funds, but I know many municipalities are. So my
2 hats off to the suggestion.

3 CHAIRMAN FUNDERBURG: Thank you. Mr. Horne?

4 HORNE: I just wanted to make sure we have this
5 \$12,000,000. In terms of other obligations from the
6 IFA that are outstanding, I mean, is there any other
7 areas of exposure?

8 I mean, I consider that \$17,000,000 as
9 kind of our -- basically, our cushion. Are there
10 areas of exposure that we would ever have to draw on
11 the 17 that are outside? Are we making ourselves
12 more vulnerable by only having \$5,000,000 of
13 availability.

14 MEISTER: Our most significant taxpayer, direct
15 taxpayer exposure, is under the agricultural
16 guarantee funds, which are -- we have a locally-held
17 fund of \$11,000,000, which is separate from the 17,
18 and that acts as an umbrella over two state
19 treasurer funds.

20 And the ultimate risk there, if the 11 is
21 drained, and the two treasurer funds are drained,
22 either by draws on them or by legislative action,
23 those decades-old agricultural guarantee programs
24 allow lenders, if the collateral for a specific loan

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1 is insufficient, to reach through all of those funds
2 directly into the state's general revenue funds.

3 So it's almost the equivalent to the state
4 general obligation bond, not quite, but it's been
5 delegated to this agency. Maybe it is half a step
6 below.

7 In advising the Board, I think that that
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8 is our most significant risk, that at the top of
9 that is the pinnacle of what I would characterize is
10 our risk pyramid, and that is separate and apart;
11 but I think at this time, the funds locally held in
12 the two treasury funds, I think, we are over
13 collateralized.

14 GILDART: We are.

15 MEISTER: By 50 percent.

16 GILDART: Patrick may know the exact amount.

17 MEISTER: Patrick, are you still on the line?

18 EVANS: Yes. It's well over 50 percent.

19 MEISTER: Yeah. So that's the top of the risk
20 pyramid. That's separate, and that is not involved.

21 At one time, the Authority had probably
22 close to \$30,000,000 in participation loans that
23 were concentrated primarily in central Illinois.
24 Most of those have rolled off.

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1 They were on five-year terms, and we must
2 be in the range of 1 -- maybe 1.25 million, like
3 one-and-a-quarter million dollars. That is the
4 remaining exposure there.

5 The other risk that we have is that we do
6 have a moral obligation to a special district on the
7 west side of Chicago, the Illinois Medical District
8 Commission. That goes to the Illinois taxpayers.
9 There is real estate collateral.

10 Those bonds are publicly traded and are
11 posted publicly. In the event of a call on the

12 moral obligation, in collaboration with the
13 Governor's Office and the Governor's Office of
14 Management and Budget, staff could theoretically
15 come to the Authority and say, "We would like to
16 take some of our balance sheet and help whatever
17 problem."

18 HORNE: Okay.

19 MEISTER: If there is no problem at that point.

20 HORNE: Right.

21 MEISTER: They are consistent with their
22 postings, to my understanding. So I think the sum
23 costs are the cost of the liquidation and the risk
24 associated there, and the interest that we will not

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1 be collecting on 17 at this point.

2 HORNE: Right. Okay, thank you.

3 GOETZ: Just if I can comment. The last couple
4 years we made a real concerted effort to get rid of
5 our -- what would you call it?

6 MEISTER: Legacy risk.

7 GOETZ: Legacy risk. To get rid of those
8 things off of our books. So we really eliminated
9 that.

10 CHAIRMAN FUNDERBURG: Good job doing so. Other
11 questions?

12 HORNE: Just one other comment. So I'm just
13 trying to understand the political risk of this
14 agency's involvement in this situation.

15 So, you know, by agreeing to do this as an
16 agency authority, what's the reverb from General

17 Assembly going forward, in terms of how we now
18 become a political player in this situation?

19 CHAIRMAN FUNDERBURG: I'll address that first.
20 I think Chris is better able to address it, but I
21 don't see it as such at all. I think IFA is doing
22 its job, first and foremost.

23 MEISTER: I've had no conversations with the
24 General Assembly. This was posted in October. The

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1 memo that I wrote to Governor's Office of Management
2 and Budget had wide circulation. I was not in
3 Springfield the day that it was circulated.

4 I think we've been upfront in posting.
5 The terms of what we are doing are on the Internet,
6 and I think it's also worth noting there is an order
7 of magnitude. Our actions here are, while they are
8 large and important to us, over the scheme of the
9 problem, is in the multiples of billions of dollars.

10 HORNE: Right.

11 MEISTER: And we are talking about 12 to
12 \$150,000,000 out of that.

13 HORNE: Sure.

14 MEISTER: So I think that there will be some
15 stewardship. I think that there will be some
16 screens. I think that the statutory provisions of
17 the Procurement Code that we pursued this under, and
18 ended up with Zion Bank and Citi, provide a very
19 useful screen of the sorts of vendors that are
20 likely to be paid.

21 There's going to be a clearer screen. It
22 will be, in my view, the most essential of essential
23 government goods and services.

24 CHAIRMAN FUNDERBURG: So, you know, other
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1 points that people have made today around the table
2 is that it is within in the charge of our charter.
3 It is within the scope of our purpose.

4 We are in extraordinary times, in terms of
5 the state of the economy in Illinois, and I think
6 we're doing -- the IFA is doing what we can, and it
7 is somewhat extraordinary, but only to match the
8 situation, and I think we're in the position to try
9 to assist in any way we can.

10 So we've had great discussion. I'm
11 certainly willing to consider other questions, other
12 comments.

13 PEDERSEN: I move approval of the measure.

14 CHAIRMAN FUNDERBURG: Okay. There's the
15 motion.

16 KNOX: Second.

17 CHAIRMAN FUNDERBURG: Seconded by Mr. Knox.
18 Any further discussion? Any further questions?
19 Please.

20 MEISTER: Is it for 7 and 11?

21 CHAIRMAN FUNDERBURG: Yes.

22 MEISTER: Okay.

23 FLETCHER: So on the motion for approval of
24 resolutions number 7 and 11, I'll call the roll.

1 Member Anderberg?
2 ANDERBERG: Yes.
3 FLETCHER: Ms. Bronner?
4 BRONNER: Yes.
5 FLETCHER: Mr. Goetz?
6 GEOTZ: Yes.
7 FLETCHER: Mr. Horne?
8 HORNE: Yes.
9 FLETCHER: Mr. Juracek?
10 JURACEK: Yes.
11 FLETCHER: Mr. Knox?
12 KNOX: Yes.
13 FLETCHER: Mr. Pedersen?
14 PEDERSEN: Yes.
15 FLETCHER: Mr. Pool e?
16 POOLE: Yes.
17 FLETCHER: Mr. Tessl er?
18 TESSLER: Yes.
19 FLETCHER: Mr. Chai rman?
20 CHAI RMAN FUNDERBURG: Yes.
21 FLETCHER: Mr. Chair man, moti on carri es.
22 CHAI RMAN FUNDERBURG: Is there any other
23 busi ness to come before the Board?
24 GOETZ: I make a moti on to adjourn.

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1 CHAIRMAN FUNDERBURG: We've got public comment.
2 The last item is the public comment.

11-12-15.txt
 3 Is there any public comment?
 4 (No response.)
 5 CHAIRMAN FUNDERBURG: Okay. Mr. Goetz made a
 6 motion to adjourn. Is there a second?
 7 PEDERSEN: Second.
 8 CHAIRMAN FUNDERBURG: All in favor, please say
 9 aye.
 10 (A chorus of ayes.)
 11 CHAIRMAN FUNDERBURG: Any opposed?
 12 (No response.)
 13 CHAIRMAN FUNDERBURG: Thank you all.
 14 MR. FLETCHER: The time we adjourned is 10:42.
 15 (WHICH WERE ALL THE PROCEEDINGS HAD AT 10:30 A.M.)
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1 STATE OF ILLINOIS)
 2 COUNTY OF COOK) SS:

3 Pamela A. Marzullo, C.S.R., being first duly sworn
 4 on oath, says that she is a court reporter doing business in
 5 the city of Chicago; that she reported in shorthand the
 6 proceedings had at the foregoing meeting of the

7 above-mentioned cause; that the foregoing is a true and
8 correct transcript of her shorthand notes, so taken as
9 aforesaid, and contains all the proceedings had at the said
10 meeting.

11

PAMELA A. MARZULLO
License No. 084-001624

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