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ILLINOIS FINANCE AUTHORITY
SPECIAL MEETING OF THE EXECUTIVE COMMITTEE MEMBERS
April 13, 2017 at 11:05 a.m.

Report of Proceedings had at the Special Meeting of the Executive Committee of the Illinois Finance Authority on April 13, 2017, at the hour of 11:00 a.m., pursuant to notice, at 160 North LaSalle Street, Suite S1000, Chicago, Illinois.

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COMMITTEE MEMBERS

MR. R. ROBERT FUNDERBURG, Chairman
MR. ERIC ANDERBERG
MR. ROBERT HORNE
MR. LERRY KNOX
MS. GILA J. BRONNER

ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

MR. BRAD FLETCHER, Assistant
Vice-President
MS. ELIZABETH WEBER, General Counsel
MS. XIMENA GRANDA, Controller
MR. CHRISTOPHER B. MEISTER, Executive
Director

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CHAIRMAN FUNDERBURG: I will go ahead and
call to order the Executive Committee Meeting
of the Illinois Finance Authority. I would
like to ask the Assistant Secretary to call the
roll please.

7 FLETCHER: Certainly. The time is 11:05
8 a. m.

9 Mr. Anderberg?

10 ANDERBERG: Here.

11 FLETCHER: Ms. Bronner?

12 BRONNER: Here.

13 FLETCHER: Mr. Horne?

14 HORNE: Here.

15 FLETCHER: Mr. Knox?

16 KNOX: Here.

17 FLETCHER: And Chairman Funderburg?

18 CHAIRMAN FUNDERBURG: Here.

19 FLETCHER: Mr. Chairman, a quorum of
20 Committee Members has been constituted.

21 CHAIRMAN FUNDERBURG: Great. Thank you.

22 The next item on the agenda is review and
23 adoption of the Open Session minutes of the
24 Executive Committee Meeting from January 10th,

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1 2017.

2 So why don't we take, we will just take a
3 minute to look through those. If you haven't
4 already, they are in the packet.

5 So does anybody want to move?

6 KNOX: I will move.

7 CHAIRMAN FUNDERBURG: Mr. Knox made a
8 motion to adopt.

9 BRONNER: Second.

10 CHAIRMAN FUNDERBURG: Ms. Bronner has made
Page 3

11 a motion to second. All in favor to approve
12 the minutes, please say aye.

13 (Chorus of ayes.)

14 CHAIRMAN FUNDERBURG: Any opposed?

15 (No response.)

16 CHAIRMAN FUNDERBURG: Okay. The ayes have
17 it.

18 Okay. The next is, adoption of the Closed
19 Session Meeting minutes from the Executive
20 Committee Meeting from January 10th, 2017. I
21 will ask the same question, if anybody has any
22 additions or corrections to those minutes, and
23 if not, is there a motion to approve them?

24 ANDERBERG: So moved.

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1 CHAIRMAN FUNDERBURG: Is there a second?

2 HORNE: I second.

3 CHAIRMAN FUNDERBURG: All in favor, say
4 aye.

5 (Chorus of ayes.)

6 CHAIRMAN FUNDERBURG: Any opposed?

7 (No response.)

8 CHAIRMAN FUNDERBURG: Okay. Now, the next
9 part here is regarding a motion to recommend
10 that the Closed Session minutes remain closed
11 and not open to the public until the next
12 periodic review, as required by the Open
13 Meetings Act, and it's my recommendation that
14 we do go ahead and keep those minutes closed,

15 but certainly open to discussion and
16 ramifications, because I think that this notion
17 of closed minutes, we probably can use a
18 refresher on that.

19 WEBER: Right. Any minutes that are
20 closed should be reviewed periodically to see
21 if they should then be made open to the public.
22 I think a semi-annual review is what is
23 required by statute.

24 CHAIRMAN FUNDERBURG: Okay.

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1 WEBER: Probably next time you might want
2 to look at the various minutes that we have
3 that are closed so far.

4 CHAIRMAN FUNDERBURG: Okay.

5 WEBER: These minutes dealt with the
6 increase in compensation of Executive Director,
7 which is, the percentage increase was done in
8 Open Session, but there may be some other items
9 that maybe were not discussed in Open Session.

10 CHAIRMAN FUNDERBURG: Okay. I would like
11 to ask Executive Director Meister if there is
12 anything that you want to weigh in on.

13 MEISTER: I trust the judgment of the
14 Committee.

15 CHAIRMAN FUNDERBURG: You know, that is my
16 recommendation, but I'm open to any discussion
17 on that.

18 (No response.)
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19 CHAIRMAN FUNDERBURG: Okay. No
20 discussion, then I would like to ask for that
21 motion please.

22 BRONNER: So moved.

23 KNOX: Second.

24 CHAIRMAN FUNDERBURG: Any further

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1 discussion?

2 (No response.)

3 CHAIRMAN FUNDERBURG: All in favor, please
4 say aye.

5 (Chorus of ayes.)

6 CHAIRMAN FUNDERBURG: Any opposed?

7 (No response.)

8 CHAIRMAN FUNDERBURG: Thank you.

9 Item No. 4 here, titled, Closed Session
10 pursuant to, but not limited to the Open
11 Meetings Act, as stated there, Agenda Items
12 Nos. 4 and 5 anticipated the opportunity for
13 the Executive --

14 MEISTER: I mean, I think actually, I
15 think we ought to think about going into Closed
16 Session at the end --

17 CHAIRMAN FUNDERBURG: Okay.

18 MEISTER: -- before we cover the Open
19 Meeting stuff, which I think Six and I can --

20 CHAIRMAN FUNDERBURG: Yeah.

21 FLETCHER: And that was just a statement
22 to that effect.

23 MEISTER: Oh, sorry. I got ahead of
24 myself.

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1 CHAIRMAN FUNDERBURG: Yeah.

2 Okay. Chris, what exactly do you want to
3 cover at this point then?

4 MEISTER: I think what we can do is --

5 BRONNER: Six.

6 MEISTER: -- Six and I can cover -- well,
7 Six will cover Item 6. Elizabeth and I will
8 cover Item 7, and then I will give an overview
9 on Item 8. If we can proceed.

10 FLETCHER: So we will state for the record
11 that we are deferring agenda items 4 and 5, the
12 opportunity to go into Closed Session, and we
13 will move next to No. 6.

14 GRANDA: Yes.

15 CHAIRMAN FUNDERBURG: Okay. Thank you.

16 GRANDA: So in your packet you should have
17 our projected financial statement for fiscal
18 year 2017, and also, there is a memo that was
19 for you guys, for your review.

20 So for the fourth quarter in fiscal year
21 2017, we are estimating our projected operating
22 revenue to be at 1.2.

23 Our expenses we are estimating to be about
24 \$810,000, which is going to give us roughly

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1 about \$448,000 on net income. When we are
2 adding that fourth quarter net income to our
3 nine months, we have estimated projected net
4 income of about \$2.9, or roughly \$3 million at
5 the end of fiscal year 2017.

6 Is there any questions in regards to
7 those, to those projections?

8 (No response.)

9 GRANDA: So in your packet also you have
10 the memo, which included in there we have a
11 couple of graphs for you, and it's just a
12 comparison what we have done, or what we have
13 issued in fiscal year 2015 and 2016 and what we
14 roughly estimate to be in fiscal year 2017. So
15 that will be Page 4. So right now we are
16 saying that we are going to be issuing roughly
17 \$4.3 billion in outstanding bond issues.

18 CHAIRMAN FUNDERBURG: Okay.

19 KNOX: Bond issues for '17?

20 GRANDA: Yes. For '17, yes.

21 HORNE: So the net income mentioned on
22 today's agenda, it talked about a loss or a
23 write-down on I think some of the beginning
24 farmer bonds, or is that offset, is that part

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1 of the net income?

2 GRANDA: Actually, that loss was already

3 recorded in fiscal '16.
4 HORNE: Oh, so that's '16.
5 GRANDA: But we don't have any reserve in
6 fiscal '17; we are just going to be paying out
7 the actual guarantee, the loss of that
8 guarantee.
9 HORNE: Okay.
10 MEISTER: And it's a guarantee, ag
11 guarantee, as opposed to a beginning farmer
12 bond, which is conduit.
13 GRANDA: Right.
14 MEISTER: So...
15 HORNE: Okay. But it is our balance
16 sheet, the ag guarantee?
17 GRANDA: Yes.
18 MEISTER: It is our balance sheet.
19 HORNE: Yeah.
20 GRANDA: Yeah. So the --
21 HORNE: So that was already reflected in
22 2016?
23 GRANDA: In 2016, yes. And actually for
24 this year, we are going to be recording a

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1 recovery of bad debt, because what we estimated
2 it in fiscal '16, it was higher, but we are
3 actually going to pay out less.
4 HORNE: Okay.
5 GRANDA: But I will share that in our next
6 Board meeting once I know what that total

7 recovery of that debt will be.

8 HORNE: Got it. Thank you.

9 GRANDA: So, mentioning the graph, like I
10 said, we are going to be, it's estimated to be
11 52 projects for roughly about \$4.3 billion, and
12 this has been one of the highest years where we
13 have done this much in volume, compared -- I
14 think the last one that we had was in fiscal
15 year 2008. We issued roughly about \$5.9
16 billion, and that was an outlying year because
17 it was due to the Auction Rate Securities.

18 MEISTER: And during the Auction Rate
19 Securities, what we did was, as that market
20 started to deteriorate, in the words of Pam, we
21 ran a half priced program. So borrowers that
22 had been in the Auction Rate Securities market
23 and it had started to deteriorate and their
24 positions started to become out of the money,

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1 we ran them through in an expedited fashion so
2 that they could reissue and get out of the
3 Auction Rate and that.

4 So in essence, it was over \$5 billion, but
5 some of those were doubling up and so, but,
6 again, it has been a remarkable year. It is
7 projected to be a remarkable year. We have the
8 billion-dollar presence that obviously boosted
9 from 3, the \$3 billion range to the \$4 billion
10 range, and then the \$500,000,000 in the State

11 Revolving Fund, Clean Water Initiative, which,
12 frankly, we have hopes that we will be
13 replicated next year.

14 HORNE: So on that, the State Revolving,
15 that's just an allocation, we haven't
16 actually distributed -- Have we given that
17 money out yet?

18 MEISTER: Oh, yeah. It's in the Board
19 book.

20 GRANDA: Yeah. Actually, there is a
21 Report in your Board book.

22 BRONNER: Yeah. That was quite a list.

23 GRANDA: It was.

24 HORNE: Oh, I read that. Yeah.

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1 GRANDA: The bond issue was \$500 million.
2 It is about \$354 million that we have already
3 disbursed, and we also have a listing of those
4 borrowers.

5 HORNE: Right. I saw that.

6 MEISTER: And again, that's a tremendous
7 accomplishment, not of this agency, but of
8 IEPA, because they have been taking those bond
9 proceeds, and they have been moving them out
10 the door.

11 FLETCHER: They had a project pipeline.
12 That money is on the street already.

13 MEISTER: Yes.

14 GRANDA: So moving forward, so I basically

15 kind of cover a little bit of what the
16 projected fiscal year-end is going to be. So
17 now to kind of go over certain maybe issues
18 that have been resolved in fiscal year 2017,
19 and Chris will jump in if there is any
20 questions.

21 So in fiscal year 2017, we have resolved
22 our Illinois Housing Partnership, which was a
23 repayment of our Legacy Loan from 1986, and the
24 City paid \$2.4 million back to the Authority.

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1 We also resolved that Clinic of Altgeld,
2 which it was a release of debt service reserve
3 for \$600,000. That also came back to the
4 Authority.

5 MEISTER: And that goes right into our
6 income.

7 GRANDA: Right. That goes out to our net
8 income number.

9 MEISTER: And the Governor's Office was
10 very helpful in releasing that money and making
11 us whole.

12 GRANDA: So one of the other items what
13 was kind of resolved is, we had a 20.9 percent
14 reduction in our exposure with our Agricultural
15 Loan Programs. It was roughly about \$11
16 million on March 31 of 2017, compared to \$13.9
17 million in June of 2016. So we have reduced
18 that exposure by 20 percent.

19 MEISTER: And the final one, which I had
20 inadvertently left off, and, again, we are
21 still waiting for the final postings, or at
22 least the last time I checked on it, the
23 MJH non-profit student housing development up
24 on Fullerton that we addressed in some detail

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1 last November has been purchased. The bonds
2 are off the market. We had received \$15,000 in
3 partial reimbursement for our legal fees. That
4 had been in default for a number of years, and
5 so while I think the mechanics are still moving
6 forward, that will also be off of our conduit
7 books.

8 GRANDA: So moving forward, we still have
9 some legacy issues that are, that are pending.
10 One of them is the Illinois Medical District
11 for the 2006A and B bonds. The current
12 outstanding balance as of March 31st is at
13 \$33.4 million, and as you are aware, this is
14 "moral ob" bond issue.

15 MEISTER: And on this point, Elizabeth and
16 I have been working with the IMD and the
17 Governor's Office rather intensively over the
18 last several days. On Friday morning, it will
19 be having a special meeting which we anticipate
20 they will be -- the IMD Board will be approving
21 an amount for a partial redemption within the
22 next 30 to 45 days.

23 So the details can't be discussed in Open
24 Session at this point, but they are motivated

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1 to reduce this exposure to the taxpayers.

2 GRANDA: The second item is the Village of
3 Thomson. This is a local government bond,
4 local government loan. The outstanding balance
5 as of March 31st is roughly about \$2.2 million,
6 and that is, Authority's money is at risk.

7 HORNE: I was going to ask you about that
8 one. I mean, you look at, there is \$12 million
9 of bonds, which I assume are on our balance
10 sheet?

11 GRANDA: Yes.

12 MEISTER: Yes.

13 HORNE: So why would we have one community
14 with almost 20 percent of our exposure?

15 CHAIRMAN FUNDERBURG: Oh. That's the
16 prison, right?

17 HORNE: Yeah.

18 MEISTER: There is a story behind that.
19 So in the late '90s or early 2000s, there was a
20 State level decision to build a prison at
21 Thomson, and that prison was built, but
22 subsequently never filled. As part of the
23 overall prison plan, the State went to the
24 Village and said, "You have got --" These are

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1 orders of magnitude numbers, not true numbers.
2 "You have got a sewer and water system that
3 takes care of 500 people in your village, and
4 we are now going to be adding 1500 prisoners
5 and staff to go along with this. So you are
6 going to need to do a water plant."

7 And so they borrowed the money to do that.
8 Some of it was used for industrial purpose, and
9 then some of it -- but a lot of it was used to
10 benefit the prison.

11 So the time flashes forward, and what
12 happened was, is that at some point bonds were
13 issued first through the Village of Thomson,
14 and then through, I believe first -- definitely
15 in the '05, '06 range for the IFA, but I think
16 that there may have been a predecessor issue
17 for the old, one of our predecessors for the
18 rural bond bank that put the moral obligation
19 on this guarantee.

20 One of the parts of this transaction was
21 that the State Department of Corrections was
22 basically making what was characterized as a
23 State Share of the debt service allocable to
24 the prison, which was not yet full.

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1 So this had sort of gone on for a number
2 of years until the prison was sold to the
3 federal government, and we were, as an agency,

4 we are not involved in those discussions. This
5 was in the 2009, 2010 range, but one of the
6 things that happened was, there were certain
7 discussions about the bond issue, and then what
8 happened subsequent to that was, once the
9 prison was sold, Department of Corrections
10 announced that they could no longer make the
11 State Share, which put us at risk, and at the
12 time we still had moral obligation bonds out on
13 the street. It was actually one of the many
14 reasons why we used our balance sheet in '14 to
15 pull those off the street, because of that
16 exposure, but we were able to, now through two
17 successive Governors' Office, have Central
18 Management Services make what has been
19 characterized as the State Share to keep that
20 loan in compliance, and Governor's Office of
21 Management and Budget has done their own
22 research and drawn their own conclusion,
23 frankly, with little prodding from us that this
24 is something that properly ought to be paid

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1 through Central Management Services.
2 So the loan is up to date. It's current.
3 It's in compliance, but given the State's
4 budget situation, we have had a number of
5 internal discussions that at some point the
6 budget situation may be such that we may be
7 headed towards a default, because it's

8 obviously a very poor village. Obviously there
9 are arguments that maybe they could be doing
10 more, but since the Thomson bond is no longer
11 tied to a public moral obligation offering,
12 it's strictly between Thomson and the IFA. We
13 have some more flexibility to look at maturity,
14 interest rate, things of that nature, should --

15 HORNE: Time to extend.

16 MEISTER: Yeah. Should that ever be
17 necessary.

18 The positive element is, is that there was
19 some delay in the staffing, the filling of the
20 prison, due to some differences of opinion at
21 the Congressional level, and my understanding
22 is that those have been somewhat resolved, and
23 that prison is in the process of being filled
24 with prisoners and being staffed up by the

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1 federal government. So they are using water
2 and --

3 HORNE: So really if it is used, the bonds
4 are going to be paid, or there will be payments
5 made --

6 MEISTER: There will be --

7 HORNE: -- essentially translated through
8 water, or whatever the form of payment would
9 be?

10 MEISTER: Yes. We hope, although this has
11 been really one of those legacy issues that

12 there is generally always an unexpected shoe
13 droppi ng.

14 HORNE: I get it.

15 BRONNER: It sounds like the latest
16 epi sode of Billions.

17 (Laughter.)

18 MEISTER: No. That would be the medical
19 di stri ct.

20 HORNE: That would be the medical
21 di stri ct. The casi no.

22 GRANDA: Exactly.

23 CHAIRMAN FUNDERBURG: We are only on
24 Epi sode 4, guys.

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1 (Laughter.)

2 GRANDA: So moving forward, the other
3 legacy that is still pending is that Roanoke
4 Milling, Inc., the agricultural guarantee
5 default that we were just talking about.
6 That's the one that we are going to be paying
7 out in the month of April.

8 We have some conduit bond concerns.
9 Currently, the Regency Park and Lincolnwood
10 Series, the 1998 B and C and the 1990B. I'm
11 not sure whether you want to --

12 CHAIRMAN FUNDERBURG: Elizabeth, can you
13 give a brief overview?

14 WEBER: I just saw this on here. I wasn't
15 aware that I was going to be addressing it. So

16 let me see if I can do this succinctly.

17 In 1990, there was some bonds issued by
18 the Illinois Development Finance Authority to
19 build a Continuing Care Retirement Community
20 that is in Lincolnwood. In the following years
21 some additional bonds were issued. They paid
22 off some of them, the 90-day bonds. As for the
23 rest of the bonds, a defeasance escrow was set
24 up with treasury securities to pay these bonds

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1 over time. The bonds are capital appreciation
2 bonds, which basically means that there is no
3 interest currently paid. It just continues to
4 accrue until maturity, and these were like
5 30-year bonds.

6 So in terms of order of magnitude, you
7 have debt that was maybe a \$4 million principal
8 amount when issued and now at maturity is going
9 to be \$100 million due and owing, or 2 or \$300
10 million due and owing.

11 These bond issues were subject of some
12 controversy. There was some SEC actions taken
13 against some of the main characters that -- I
14 shouldn't say characters. Individuals who were
15 originally involved in the bond issues. It was
16 also subject of an IRS audit where I have had
17 to dig through a lot of old records. In fact,
18 there is a box sitting in the corner that I
19 still have to look at that we are still going

20 through. But the IRS audit was resolved
21 favorably with no action being taken based upon
22 facts that were known then.

23 We don't know that there is an issue with
24 them. We are just trying to get records. Some

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1 records seem to be missing. We have -- there
2 has been transfers in trustees. So we are
3 trying to locate who has, who is currently the
4 escrow agent holding these securities for
5 payment when they do come due, which is in
6 another couple years. So it's not something
7 immediate. It's more a matter of due
8 diligence, making sure that that trustee, which
9 happens to be a bank or an individual at the
10 bank that doesn't typically deal with tax
11 exempt debt, to make sure that they understand
12 that, you know, because these bonds have to be
13 called for redemption, and if they miss that
14 call for redemption, there could be
15 consequences.

16 So it's more a sort of finding out
17 information, trying to make sure that everybody
18 is on top of this and that nothing goes
19 sideways.

20 Do you have anything to add?

21 MEISTER: Other than to stress that these
22 are conduit bonds, and they were represented
23 purely as conduit bonds, and a lot of the

24 actions that we are taking are, I would

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1 characterize in this, are preemptive in nature,
2 to make sure that whenever the due date comes
3 and the dates come, that we are in a position
4 to speak knowledgeably, and clearly establish
5 that our predecessor was a conduit issuer, and
6 it does appear that security --

7 WEBER: But the conduit borrower
8 apparently doesn't exist anymore.

9 MEISTER: Yeah. The conduit borrower does
10 not exist. It appears to be taken over by a
11 for-profit entity, but it does, there is some
12 evidence, in talking to the various trustees,
13 that the securities were purchased.

14 WEBER: Right. Yes.

15 KNOX: Purchased by whom?

16 WEBER: I think it was originally a -- I
17 apologize. I wasn't aware this was going to be
18 on the agenda. They are now at Bank of America
19 as now the escrow agent, but do you remember
20 who the original trustee was, Chris?

21 MEISTER: I can't recall. Bank of America
22 stuck out.

23 WEBER: I think it was American National.
24 It was either LaSalle or American National

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1 Bank.

2 MEISTER: I think it was LaSalle.

3 BRONNER: LaSalle.

4 WEBER: Yeah. Probably LaSalle, right,
5 because --

6 BRONNER: It was acquired by Bank of
7 America.

8 WEBER: Right, and that's why they are at
9 Bank of America. A lot of the trust business
10 went to Amalgamated, but this was not one with
11 ongoing fees so Amalgamated didn't want it so
12 it stayed with Bank of America, which is why it
13 is now with a group that doesn't typically deal
14 with municipal bonds.

15 MEISTER: Yes. It is basically a Bank of
16 America corporate trust.

17 WEBER: Exactly.

18 KNOX: So is there any concern dealing
19 with the "cabs" and the large balloon that is
20 out on the horizon?

21 MEISTER: Well, we are trying to
22 affirmatively answer all of those questions
23 years in advance. So that given --

24 WEBER: I mean, there are Rating Agency

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1 reports that rate these as AAA out there.

2 KNOX: Really?

3 WEBER: Yes.

4 MEISTER: So um --
5 WEBER: Because of the Treasury Securities
6 backing them up.
7 MEISTER: It's sufficiently unusual, so...
8 KNOX: Yes, it is. Okay.
9 MEISTER: And here, I will just take the
10 rest of these. Green Fields of Geneva is a
11 Continuing Care Retirement Community. We had
12 issued some bonds. They are, again, pure
13 conduit. Pam has been on those investor calls
14 with the trustee. There was some expectation
15 that this might be coming back to us along the
16 lines of the Park Place transaction, which is
17 in many ways similar. They have sort of gone
18 radio silent. So we are watching that one.
19 Any questions on Greenfield?
20 (No response.)
21 MEISTER: Sadly, one of my favorite
22 industrial revenue bonds, primarily because I
23 can see it on my way to work. Anderson
24 Shumaker is right off -- it's an industrial

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1 revenue bond. It's a drop forge company. It
2 is right off of the Eisenhower Expressway
3 between Austin and Central. They have gone
4 into bankruptcy. We have retained bankruptcy
5 counsel. This forging segment of the industry
6 has been under a whole lot of foreign
7 competition threat, and just because nothing

8 can ever be simple, this coincided with an IRS
9 inquiry, which we are also managing, but we
10 are -- again, conduit deal. Watching this.
11 Represented in bankruptcy court. And the final
12 bullet is really, after a fairly long hiatus,
13 we have been getting fairly regular IRS
14 inquiries on our bonds, conduit bonds.
15 Generally these are resolved expeditiously and
16 with our costs being shifted to the borrower in
17 connection with the indemnity provision in the
18 bond documents, and I think, Elizabeth, I think
19 you probably resolved 12.

20 WEBER: Well, no, not that many, but since
21 I started in July of 2015, I think there has
22 been about 14 or 15 IRS audit inquiries that
23 have come past my desk. So we have been --
24 some I have been able to resolve because the

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1 bonds have been paid off, and I just dealt with
2 the IRS agent. Others are still pending.

3 MEISTER: Yeah, so...

4 HORNE: Has that been in 2017, or has that
5 been prior to that, the investigation of the
6 securities? Under which presidential
7 administration are these investigations?

8 WEBER: Oh, well, these, the most recent
9 three were under the current administration.

10 HORNE: Okay.

11 WEBER: But prior were.

12 MEISTER: But to your point, there was a
13 fairly long hiatus where we were not receiving
14 these after the Congressional hearings of the
15 IRS and audits.

16 HORNE: Yeah. That's, I was just curious.
17 So that's a little --

18 MEISTER: So whatever was going on, they
19 appeared to have been frozen --

20 HORNE: Yeah.

21 MEISTER: -- for a period of time, but
22 then it thawed.

23 HORNE: Got it.

24 MEISTER: Current issues, and I will

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1 just -- and fiscal year 2018, I will just
2 address these quickly. I talked with both Bob
3 and Larry, but I am behind on getting the
4 Veterans' Guarantee program up and running.
5 That's on my To Do list. We are preparing for
6 the entrance conference for the 2017 financial
7 audit, and the two year, '16 and '17 compliance
8 audit. Six and I have been having
9 conversations on that. The various
10 procurements that we have got up, as of late
11 yesterday afternoon, we were in touch with the
12 regulators on the Benefits payroll, ADP Total
13 Source Relationship. We are going to be moving
14 forward I think, on the advice of the
15 regulators, to a sole economic source for at

16 least the next couple of years.

17 Development of the budget for 2018, that
18 will be adopted in July, at the July meeting,
19 and then a revised hiring plan. I think I have
20 talked to Board Members individually, but one
21 of the reluctances that I had to move forward
22 on on hiring was an expanded sensitivity at the
23 State to the Supreme Court's Rutan provisions,
24 and how that's the structure that is similar to

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1 Shakman that you may have heard about at the
2 city and county, but there is a hiring monitor
3 currently that had been hired by the City that
4 is now active in the State since the 2014 State
5 Department of Transportation hiring issue.

6 So the Governor's legal office has been I
7 think deeply engaged with that person, and
8 there has been heightened sensitivity to this.
9 One of my reluctances was, I couldn't see a way
10 to thread the needle in a way that would, that
11 would put us in a place where we had managed or
12 eliminated the potential future liability
13 consistent with a theoretical future inquiry.

14 The positive item of this is, a lot of
15 engagement with Elizabeth and I with the
16 Governor's legal team. There does appear to be
17 a path that we are going to be moving forward
18 on that I think that we can, that we can work
19 through Staff Up and avoid future potential

20 issues, and the final point is, while it's
21 early, again, this goes back to hiring and
22 everything else, it's, we can't really see the
23 volume for 2018. I think healthcare, in
24 particular, has had an extraordinary year, but

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1 in a rising interest rate environment, we might
2 see, and with fewer hospital borrowers, we
3 might see a set of circumstances where we have
4 a dramatic falloff in issuance in volume, which
5 is why I think it was important for Six to note
6 that I think if things remain, as we believe
7 that they will remain, we will have something
8 very close to an equivalent of income close to
9 what our budgeted revenue number for closing
10 fees by the end of this year.

11 I have had this conversation with
12 successive boards generally and chairs at about
13 this time, and the last -- while the past is no
14 guaranty of the future, the last page of Six's
15 document really shows going back to 2006, is
16 that we have always managed to have income
17 after expenses, including during the falloff in
18 the Great Recession, and the falloff in volume.
19 I'm just letting everybody know that it is a
20 little hard to see how we get there from here,
21 here in mid April. There are some real
22 positive elements. Again, we expect a fairly
23 large State Revolving Fund Clear Water

24 Initiative. I think the Centerpoint project,
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1 there are still some tranches on that, and that
2 has been returning annually I think at least
3 for two years, and there may be possibilities
4 for refundings for late 2017 and early '18 bond
5 issues.

6 On the flip side, the larger challenge is,
7 we have already seen how industrial revenue
8 bonds really dropped off after '07. We have
9 also in the past seen rather dramatic drops in
10 bond issuance. We have fewer hospitals. You
11 know, at the same time, we have had potential
12 new business lines develop like this non-profit
13 scatter site lower income housing, the Better
14 Housing Foundation, and some other borrowers
15 like that that might be coming down the
16 pipeline.

17 So that's sort of the overview. Any
18 questions?

19 HORNE: I guess I would only just say that
20 given what you just said, I think the staffing,
21 you know, I would be very mindful of beefing up
22 staff based on projections of revenue, because
23 it sounds to me like you are going to have a
24 much more flatline revenue year.

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1 MEISTER: That's what it looks like.

2 HORNE: Yeah.

3 MEISTER: That's what it looks like from
4 here going forward.

5 HORNE: Yeah.

6 MEISTER: And while I think that we have
7 had very, we have had very good luck with two
8 temps, in particular, and we have recently
9 on-boarded a third over the past several
10 months, under Six's leadership, we have shrunk
11 the number of temps, and we have done that not
12 only because of the complexities involved with
13 hiring people in the State context, but also
14 back in '09, in the month before I became the
15 Executive Director, Pam and I presided over a
16 mass layoff where there were six people that
17 exited. Due to economic reasons, we were able
18 to largely manage the liability tail from the
19 employment context with I think being very fair
20 in settlement agreements.

21 There has been legislation passed since
22 then due largely to the DuPage County Community
23 College that I think may well limit our ability
24 to manage layoffs in an economic distress

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1 situation, and then, frankly, subsequent to
2 that, in 2010, there were two more layoffs, and
3 then we have had, we have had attrition, and we
4 have had a couple of exits, all of which have

5 ended up with no pending employment tail, which
6 I'm very proud of, but, again, it's something
7 that we are very sensitive to and that we have
8 a good track record on.

9 HORNE: Okay.

10 CHAIRMAN FUNDERBURG: Okay. Very good.
11 So help me out here. Where are we on the
12 agenda?

13 MEISTER: Agenda Item 7 and 8, what I will
14 do, and, again, I want to be mindful of time,
15 these two items, and I will cover them both
16 quickly, are really to let the Executive
17 Committee know as sort of a precursor to
18 letting the larger Board know, that we
19 recognize the importance of regular Board
20 communication on emergency contingency planning
21 as a usual business manner, and I will just
22 make the four points that's there on the
23 outline on the Agenda Item 7 document.

24 Our goal is to continue operations for our

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1 borrowers in the event of an emergency, and one
2 of the challenges that we have, while we have
3 probably saved roughly \$200,000 a year in
4 moving from Two Prudential Plaza to this space
5 here, it has locked us in operationally to what
6 might be playing out on a larger chessboard
7 with the State.

8 What I can say definitively is that this

9 building houses the Supreme Court, the
10 Appellate Court, and the leaders of the two
11 legislative majorities and their staff. So I
12 think that no matter what is theoretically
13 possible is likely that this building is going
14 to remain open and operational. We will
15 obviously plan if it does not, and really, the
16 way that I would meet the steps to meeting
17 continuing operations is making sure that Board
18 Members are informed in a timely manner.

19 The important item is that with 15 Board
20 Members, you have two risks of communicating
21 individually with 15 people to avoid Open
22 Meetings problems. You also have the risk of
23 the message getting garbled through 15
24 conversations. So that's the downside of

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1 direct contact.

2 The other downside is, is that there is
3 always a risk if you do a mass email, that
4 communications could ensue, and that could
5 place the Board Members at risk for Open
6 Meetings violations.

7 There is a Bona Fide Emergency, that you
8 could do a quick notice of less than 48 hours.
9 I think, given our statute, it would be
10 discussion purpose only. That could be one
11 thing, that we could do it by telephone, get a
12 court reporter, and tell everybody what the

13 situation was.

14 We do have -- so that's informing the
15 Board Members.

16 Access to funds, we have our own accounts,
17 and we are, Six and I and Elizabeth are in the
18 process of clarifying who has access to those
19 accounts, and notifying those folks I think
20 would be a combination of the Chair, the
21 Vice-Chair and then probably some combination
22 of Six, myself and Elizabeth, and letting the
23 Board Members know who could expend funds for
24 public purposes.

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1 C, it is Continuing Operations, which
2 means access to data, documents execution of
3 documents, payroll and benefits. A lot of that
4 is in the Cloud or removed on a regular basis
5 with tapes. We are looking, there has been
6 some positive developments with the people who
7 run IT for the State, to move that to the Cloud
8 in a safe manner, and that would make this
9 process a lot cheaper.

10 And then the final is, the Ability to Act
11 in Identifying Secondary Locations, and we are
12 also reviewing the between meeting operational
13 authority of the Executive Director, just
14 noting that in the event of some sort of
15 emergency, that we would, that we would have
16 the ability to act, to sign on, which meets the

17 needs of our borrowers.

18 Any questions?

19 (No response.)

20 MEISTER: Moving to Item 8, and I will
21 just cover this also very quickly too. This is
22 just, Item 1A is just really a refresher for
23 the Executive, the Executive Committee. We
24 have an extraordinarily broad charter,

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1 statutory charter mission for economic
2 development. The way that that mission is
3 executed is really through the power to issue
4 bonds, generally conduit, also guarantees loans
5 and other things that are currently inactive.
6 How that power is executed is through a series
7 of definition of projects in our statute, which
8 fortunately for us are fairly broad, and then
9 sort of the programs, which as particularly the
10 newer Board Members know, is really primarily
11 conduit tax exemption mainly in the non-profit
12 context.

13 So that's the overall framework. The
14 strategic goals I have included as the first
15 attachment. I think these prove to be very,
16 very useful, that if anything new, that we look
17 at public mission, risk profile, net revenue,
18 impact in competitive position. Those have
19 proved to be very useful. The one that I have
20 always used informally that at some point in

21 the future the Executive Committee and the full
22 Board might consider adopting is, I have always
23 taken the position that appropriated taxpayer
24 funds and exposure are more valuable than our

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1 own funds, and that given the choice to put our
2 dollars in front of taxpayer dollar, to the
3 extent that we can reasonably do that, and the
4 Board agrees, that might be something that we
5 would consider adding. I think those have
6 worked well.

7 Any questions on strategic mission
8 framework?

9 HORNE: So wouldn't this be something we
10 would talk about at the whole public, or the
11 whole meeting as opposed to Executive?

12 MEISTER: I'm laying it out to the
13 Executive Committee that we have an
14 understanding of the framework, and then likely
15 maybe we might have an opportunity to maybe
16 revisit this maybe in July when we adopt the
17 budget.

18 HORNE: Yeah. It seems like this should
19 be discussed with the whole Board.

20 MEISTER: It is just highlights, but
21 really the two items that I really want to draw
22 everybody's attention to is actually the second
23 attachment, and it was really the actions that
24 the Board and staff took in connection with the

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1 budget impasse, and importantly, that Page 7,
2 which is the second attachment, we are going to
3 have an Audit Committee Meeting in May, but
4 this was from our management discussion and
5 analysis in our audited budget, and I think it
6 lays it out very clearly.

7 So we took some risks at the request of
8 Governor's Office. I think we are still owed
9 some money, but at the end of the day we are in
10 a position where the actions that we took were
11 reviewed by third-party auditors, and I think
12 we were, I think we performed well.

13 So any questions?

14 (No response.)

15 MEISTER: All right. Rob.

16 CHAIRMAN FUNDERBURG: Talking about
17 contingency planning, and this is something
18 that, you know, in my personal business we do a
19 lot of, and, you know, I just remember someone
20 poking a hole in an old coal tunnel when they
21 are trying to do pilings in Chicago. Does
22 anybody remember that?

23 MEISTER: 25 years ago this week.

24 HORNE: It was today.

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1 CHAIRMAN FUNDERBURG: No. Really?
2 HORNE: It was today, was the anniversary.
3 CHAIRMAN FUNDERBURG: Was it in the paper
4 or something?
5 HORNE: No. No. Today is my birthday.
6 (Laughter.)
7 WEBER: Happy Birthday.
8 HORNE: I happen to remember I was
9 downtown on my birthday, and I remember I was
10 there, and they were throwing mattresses into
11 the river to try and clog the hole.
12 CHAIRMAN FUNDERBURG: Anything.
13 FLETCHER: Which is actually an old Navy
14 trick, which is where they got the idea from.
15 HORNE: I was watching the whole thing.
16 KNOX: It was in '92, right? '92, '93?
17 HORNE: Yeah.
18 CHAIRMAN FUNDERBURG: So Happy Birthday,
19 and I didn't know it was a Navy term.
20 BRONNER: Happy Birthday.
21 CHAIRMAN FUNDERBURG: So anyways, that's
22 just one example, I mean, coming out from
23 nowhere, and then all of a sudden everybody has
24 to execute a contingency emergency plan, and as

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1 Chris pointed out, there are other reasons why
2 we may have to have a plan for that, but
3 anyway, that's a good example I think.
4 HORNE: Really good example.

5 CHAIRMAN FUNDERBURG: So no one saw that
6 coming.

7 And then as far as the next steps, I would
8 like to go into Executive Session or Closed
9 Session at this point.

10 MEISTER: And I think Elizabeth has some
11 suggested --

12 WEBER: Language.

13 MEISTER: Language.

14 CHAIRMAN FUNDERBURG: Okay.

15 WEBER: Yes. The Open Meetings Act allows
16 you to go into Closed Session for various
17 reasons. A couple that may be pertinent here
18 is, "Discussion of employment or performance of
19 specific employees of a public body." That's
20 Item 2(c)(1) of the Open Meetings Act. "The
21 selection of a person to fill a public office,"
22 which is (c) -- I'm sorry, (a)(c)(3). And One
23 which deals with security procedures, "Building
24 safety and security in use of personnel and

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1 equipment to respond to an actual threat or
2 reasonably potential danger to the safety of
3 the employees, staff, the public or public
4 property," which is Item 8.

5 CHAIRMAN FUNDERBURG: Okay.

6 MEISTER: Then we will need a motion a
7 second and then a roll call vote.

8 BRONNER: I'll move.

9 KNOX: I'll second.
10 MEISTER: And then your motion is pursuant
11 to those three cites?
12 BRONNER: Correct.
13 FLETCHER: So on the motion and second, I
14 will call the roll to enter into Closed
15 Session.
16 Mr. Anderberg?
17 ANDERBERG: Yes.
18 FLETCHER: Ms. Bronner?
19 BRONNER: Yes.
20 FLETCHER: Mr. Horne?
21 HORNE: Yes.
22 FLETCHER: Mr. Knox?
23 KNOX: Yes.
24 FLETCHER: Chairman Funderburg?

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1 CHAIRMAN FUNDERBURG: Yes.
2 FLETCHER: Mr. Chairman, the motion
3 carries. The time is currently 11:54 a.m. I
4 will exit the room.
5 CHAIRMAN FUNDERBURG: Brad, you are
6 welcome to stick around if you want, unless it
7 violates some --
8 FLETCHER: Okay.
9 (WHEREUPON, the Executive Board
10 went into Closed Session at
11 11:54 a.m.)
12 (The following proceedings were

4-13-17-2.txt
resumed in Open Session at 12:05
p.m.)

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14
15 FLETCHER: Next would be a public recital
16 of the nature of matters discussed in Closed
17 Session, at least generally. I will defer to
18 Elizabeth.

19 WEBER: I think first we need to --

20 MS. BRONNER: Dial in.

21 FLETCHER: Okay. Yeah. Sorry.

22 So with the successful motion and second,
23 as well as a unanimous roll call to exit from
24 Closed Session, the teleconference line is

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1 again open, and we return to Open Session at
2 12:05 p.m., as previously noted.

3 WEBER: I think, just for the record, the
4 nature of the matters considered in the Closed
5 Session were matters relating to the officers
6 of the Authority under Subsection 3.

7 CHAIRMAN FUNDERBURG: Okay. Ready?

8 WEBER: Uh-hmm.

9 CHAIRMAN FUNDERBURG: All right. At this
10 point I would like to ask, is there any other
11 business to come before the Executive Committee
12 of the Illinois Finance Authority?

13 (No response.)

14 CHAIRMAN FUNDERBURG: Hearing none, next
15 is asking for public comment. Any public
16 comment? Anybody on the line?

4-13-17-2.txt
(No response.)

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CHAIRMAN FUNDERBURG: No public comment.
Then I would like to ask for a motion to
adjourn. Is there such a motion?

KNOX: So moved.

BRONNER: Second.

CHAIRMAN FUNDERBURG: Okay. All those in
favor, please say aye.

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(Chorus of ayes.)

CHAIRMAN FUNDERBURG: Any opposed?

(No response.)

CHAIRMAN FUNDERBURG: And the ayes have
it.

FLETCHER: The time is 12:08 p.m.

(Which were all the proceedings
had at 12:08 p.m.)

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

3 KATHLEEN MUHNE, C. S. R. , being first
4 duly sworn, says that she is a court reporter
5 doing business in the city of Chicago, that she
6 reported in shorthand the proceedings had at
7 the Proceedings of said cause, that the
8 foregoing is a true and correct transcript of
9 her shorthand notes, so taken as aforesaid, and
10 contains all the proceedings of said Illinois
11 Finance Authority's Executive Committee Open
12 Meeting.

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15

KATHLEEN MUHNE

16

17

SUBSCRIBED AND SWORN TO
Before me this 28th day
Of April, A. D. 2017.

18

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21

Notary Public

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