

1 ILLINOIS FINANCE AUTHORITY
2 SPECIAL MEETING OF THE TAX-EXEMPT CONDUIT
3 TRANSACTIONS COMMITTEE MEMBERS
4 August 11th, 2016, at 8:32 a.m.
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8 Report of Proceedings had at the Special Meeting of the
9 Tax-Exempt Conduit Transactions Committee of the Illinois
10 Finance Authority, on August 11th, 2016, at the hour of 8:30
11 a.m., pursuant to notice, at 160 North LaSalle Street, Suite
12 S1000, Chicago, Illinois.
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1 APPEARANCE:
2 COMMITTEE MEMBERS

3 MR. ROBERT HORNE, Chair, (Via audio conference)
MR. JAMES J. FUENTES
4 MR. MICHAEL W. GOETZ
MR. LYLE McCOY
5 MS. ARLENE JURACEK
MR. GEORGE OBERNAGEL (Added at 8:51 a.m.)
6 MR. BRADLEY ZELLER, (Via audio conference)
MR. ROBERT FUNDERBURG, Ex-Officio, (Via audio
7 conference)

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9 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

10 MR. BRAD FLETCHER, Assistant Vice-President
MR. RICH FRAMPTON, Vice-President
11 MS. PAMELA LENANE, Vice-President
MS. ELIZABETH WEBER, General Counsel
12 MR. CHRISTOPHER B. MEISTER, Executive Director
MR. PATRICK EVANS, Agricultural Banker

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1 VICE-CHAIR McCOY: I would like to call the
2 meeting to order. I would ask the Assistant
3 Secretary to please call the roll.

4 FLETCHER: Certainly. The time is 8:32 a.m.
5 Mr. Fuentes?

6 FUENTES: Here.

7 FLETCHER: Mr. Goetz?

8 GOETZ: Here.
9 FLETCHER: Mr. Horne on the phone?
10 CHAIRMAN HORNE: Here.
11 FLETCHER: Ms. Juracek?
12 JURACEK: Here.
13 FLETCHER: Mr. Zeller?
14 ZELLER: Here.
15 FLETCHER: And Vice-Chairman McCoy?
16 VICE-CHAIR McCOY: I'm here. Thank you.
17 FLETCHER: Mr. Vice-Chair, a quorum of
18 Committee Members has been constituted.
19 VICE-CHAIR McCOY: Thank you. First off, I
20 would like to review the adoption of the Tax-Exempt
21 Conduit Transaction Committee meeting from
22 July 14th, 2016.
23 Does anyone wish to make any additions,
24 edits, corrections to the minutes from that date?
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1 Hearing none, I would like to request a motion to
2 approve the minutes. Is there a such a motion?
3 GOETZ: So moved.
4 JURACEK: Second.
5 VICE-CHAIR McCOY: All those in favor?
6 (A chorus of ayes.)
7 VICE-CHAIR McCOY: Opposed?
8 (No response.)
9 VICE-CHAIR McCOY: The ayes have it. I would
10 like to move on to the Presentation and
11 Consideration of the Project Reports and

12 Resol uti ons.

13 I would like to ask for the general
14 consent of the Members to consider the Project
15 Reports and Resol uti ons collecti vel y and have a
16 subsequent recorded vote applied to each respecti ve
17 i ndi vi dual Project and Resol uti on, unless there is
18 speci fi c Project Reports and Resol uti ons that
19 requi re a Member would like to consider separately.

20 Hearing none, I would like to stop now and
21 present the project Reports and Resol uti ons whi ch
22 wi ll be considered collecti vel y. Patrick?

23 EVANS: Thi s i s Patrick Evans. Today I have
24 two IFA begi nni ng farmer bonds. Both bonds wi ll be
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1 bank purchased and have a seni or mortgage debt. IFA
2 wi ll retain no risk in these loans, though they wi ll
3 provide tax-exempt status to the bank.

4 The fi rst loan i s to Blake and Al lyson
5 Marrs, who are purchasing 45 acres of farmland for
6 \$422,137 or \$9381 per acre. Fi rst Bank and Trust of
7 Paris l ocati on requesti ng the begi nni ng farmer bond
8 for thi s loan.

9 The borrower wi ll i nject 5-percent equi ty
10 i nto the account wi th the bank fi nanci ng the
11 remaini ng 95 percent or \$401,000. The bank has a
12 fi rst posi ti on on thi s loan, and the terms of thi s
13 loan are i denti fi ed i n the wri te-up.

14 The second loan i s to Mason and Victori a
15 Dehl i nger. Fi rst Financi al Bank of Olney i s
16 requesti ng a begi nni ng farmer bond for the

17 Dehlingers, who are purchasing 45 acres of farmland
18 for \$108,000 or \$2,400 per acre, plus building of
19 39.5 and residents of 20,000 for a total of
20 \$168,500.

21 This loan will originally be an FSA 50/50
22 loan program. FSA will finance 50 percent of the
23 purchase with a local bank financing the remaining
24 50 percent for \$83,750. The bank will retain a

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1 first mortgage on this property, and the terms of
2 this loan are identified in the write-up. Any
3 questions?

4 VICE-CHAIR McCOY: Only one question, Patrick.
5 When you look at this, what's the -- is there a
6 major driver in the difference in the per acre here?
7 Is there one thing that drives it?

8 EVANS: Being in southern Illinois, the ground
9 changes so quick in southern Illinois. It goes from
10 good black ground to groomed C class, D class
11 ground, which is lower-productive ground down there.

12 VICE-CHAIR McCOY: Okay.

13 GOETZ: Paris is right in the heart of really
14 good agricultural land, too.

15 EVANS: Any other questions?

16 VICE-CHAIR McCOY: No. Anybody on the phone?
17 I think we're good. Thank you.

18 FRAMPTON: Moving on to the second project,
19 this is Rich Frampton. We have a request from
20 DePaul for a Final Bond Resolution. This will be a

21 one-time consideration. The not-to-exceed amount
22 will be \$125,000,000, although the likely issuance
23 amount will be around \$115,000,000.

24 The bond proceeds will be used to advance
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1 refund DePaul Series 2011A bonds. This will be a
2 simple refinancing that will be undertaken to
3 realize interest savings.

4 If you flip to page 10, the report
5 indicates where the current rates are about in the
6 middle of the page just above the heading "External
7 Credit Facilities."

8 VICE-CHAIR McCOY: Okay.

9 FRAMPTON: The current rates borne on the
10 Series 2011A bonds range from 5-and-a-quarter to
11 5-and-a-half percent; whereas, current estimated
12 market rates, based on MMD scale, range between
13 1.15 percent for the 2020 maturity to 2.79 percent.

14 Just given the bond math on this, and the
15 proceeds that need to be generated for the refunding
16 escrow, the bonds will be priced to generate a
17 premium. Accordingly, DePaul will not be realizing
18 all the savings from relative to MMD; but
19 nevertheless, they estimate year one savings to be
20 approximately \$641,000, an average debt service --
21 average annual debt service savings to be \$935,000.

22 So when you compare that relative to the
23 estimated cost of issuance on page 1, \$935,000
24 average annual debt service savings; a million one

1 on cost of issuance, they are going to realize very
2 quick payback on this.

3 Given that this refinancing will actually
4 be reducing payments, of course, and also given the
5 fact that as reported on page 9, their debt service
6 coverage will continue to be strong. It will
7 improve, just modestly, as noted on page 7 of the
8 report.

9 In addition to that, you'll note days cash
10 and investments have been improving. The one
11 variance to note, and I mentioned this back in
12 March, the variance in their profitability in 2014
13 was related to an early retirement incentive
14 program. Aside from those one-time expenses, which
15 were approximately \$23,000,000. Ignoring that,
16 their results were still pretty much in line.

17 So trend in terms of EBIDA and debt
18 service coverage were up for 2015. So we would
19 expect that their current ratings of A2 Moody's, A-
20 by S&P and A by Fitch will be affirmed. DePaul is
21 expecting the rating reports to be delivered during
22 the week of the 15th and 22nd. Immediately after
23 that happens, they will price, and they are hoping
24 to close in early September.

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1 So we have attempted to -- we have moved
2 fast on this. And as a result, DePaul will realize

3 maximum time in the market. At the meeting, I'll
4 also introduce DePaul's new Treasurer, Santino
5 Caringella, who will just make a couple -- some very
6 brief remarks. Any questions? Okay, thank you.

7 VICE-CHAIR McCOY: Thanks, Rich.

8 MEISTER: Lyle, just to note, Mr. Obernagel is
9 in transit from southern Illinois and will probably
10 be arriving in the next five to ten minutes.

11 VICE-CHAIR McCOY: Okay, thank you.

12 LENANE: No. 3 in the agenda in the book is The
13 Moorings of Arlington Heights. The Moorings of
14 Arlington Heights is coming for a Final Bond
15 Resolution to approve a series of tax-exempt bonds
16 in the amount of approximately \$70,000,000 to fund
17 the construction of Fellowship Hall, a 27,000 square
18 foot resident common area, to fund the construction
19 of 73 units of assisted living expansion, and fund
20 the construction of a 20-unit memory care expansion,
21 and to fund interest on the bonds for a period of
22 approximately 24 months. This project will create
23 85 construction jobs and 50 permanent jobs.

24 I did put in the folder some renderings

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1 that -- let's see. They are in the folder right
2 behind The Moorings. Right there. That shows where
3 The Moorings -- Mayor, you must be close to here.

4 JURACEK: I was at the ground breaking.

5 LENANE: That's right. You mentioned that.

6 JURACEK: But have no financial interest or
7 benefit from that. They are my neighbor.

8 MEISTER: Excellent point for the record.

9 LENANE: So we have a campus aerial image and
10 the expansion, the construction of the resident
11 Fellowship Hall, expansion of the assisted living,
12 and the expansion of memory care units. Mark --

13 HAVRI LKA: Havri lka.

14 LENANE: Havri lka?

15 HAVRI LKA: Yes.

16 LENANE: I have trouble with it. He'll be at
17 the meeting. He's the CFO of The Moorings. This is
18 Will Carney, an investment banker from Ziegler, who
19 has come to answer any tricky questions.

20 The Moorings is a continuing care
21 retirement community located at 811 East Central
22 Road, just east of Northwest Community Hospital. It
23 consists of 273 apartment and villas in independent
24 living, assisted living of 42 units, and 60 Medicare

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1 licensed nursing care beds for skilled nursing or
2 short-term rehab.

3 It also has 39 intermediate memory care
4 beds for those needing less intensive nursing care
5 or memory support. It has common areas including
6 dining room, living room, therapeutic center,
7 exercise equipment, swimming pool and the things you
8 would usually see in a continuing care retirement
9 community.

10 The bonds will be directly purchased by
11 First Midwest Bank and Huntington bank. Huntington

12 Bank is an Ohio bank that purchased First Merit and
13 has just come into the market in Chicago. The bonds
14 will have a variable rate of interest to be
15 determined on the day of pricing.

16 Since The Moorings is a nonrated entity,
17 the bonds will be sold in \$100,000 denominations.
18 If we go to the financials on page 6, the financials
19 in the Board book show the financial results of the
20 Presbyterian Home System, of which The Moorings is a
21 part, for the past three first fiscal years, and the
22 unaudited FY2016 financials for The Moorings.

23 Since the preliminary Bond Resolution,
24 we've also added projected protections for 2017,

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1 '18, '19 and '20 for the construction period. That
2 is why we have 24-month construction, prefunded
3 construction interest, to pay the bonds, and then --
4 but the projections show good cash debt service
5 coverage and good days cash on hand through
6 construction and fill-up, and this is an expansion.

7 There already is a facility there and Pres
8 Homes is an expellant operator. They have been in
9 Evanston forever, since I was a child, I think. So
10 any questions?

11 GOETZ: Did you say some of the units were
12 Medicaid or Medicare?

13 LENANE: Medicare. I don't know if they have
14 Medicaid units.

15 GOETZ: No, I meant Medicare.

16 LENANE: Medicare, yes. Medicare licensed

17 nursing beds. 60 skilled Medicare licensed nursing
18 beds.

19 CARNEY: The only thing I would mention is that
20 they are contributing \$12,000,000 of equity.

21 LENANE: I forgot that.

22 CARNEY: Because it is a Fellowship Hall, there
23 is always a question about tax-exempt eligibility
24 for that. This is obviously faith-based. The

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1 \$12,000,000 is really dedicated to cover that
2 construction, that property. The rest of the
3 property is all tax-exempt eligible, but the
4 \$12,000,000 is to cover that.

5 LENANE: That's right. It is \$9,000,000 of
6 equity and \$3.5 million from a Foundation capital
7 campaign.

8 CARNEY: Yes.

9 GOETZ: And that's being put in by Presbyterian
10 Homes?

11 CARNEY: Yes, that's put in by the system.

12 LENANE: Yes, by the system.

13 GOETZ: Okay.

14 LENANE: The Moorings just has the money that
15 we show on page 6 in their unaudited.

16 GOETZ: Right.

17 VICE-CHAIR McCOY: Thanks, Pam. Any questions
18 for Pam? No? Brad, to you.

19 FLETCHER: Next up on the agenda is a technical
20 amendment. In 2004, IFA issued variable rate bonds

21 on behalf of Community Action Partnership of Lake
22 County, which is a nonprofit. Proceeds of the
23 Series 2004 bonds were lent to Community Action
24 Partnership of Lake County to finance the

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1 construction of approximately 31,000 square foot
2 Early Childhood Development Center.

3 Initially, that Early Childhood
4 Development Center in Waukegan was leased to the
5 Lake County Head Start Program. Recently, the
6 lessee changed. It's now Lawndale Educational and
7 Regional Network Charter School. So this is simply
8 a technical amendment to conform the bond documents
9 with the new principal user of the facility
10 constructed with bond proceeds.

11 Accordingly, this is just customer service
12 for us. We take no administrative fee for matters
13 of this nature. I did want to point out that the
14 2004 bonds are, indeed, variable rate. They are a
15 floating rate debt in the market. Accordingly, they
16 are secured by a letter of credit by Citibank,
17 that's otherwise set to expire July of next year.

18 So it's our hope that we would see this
19 transaction sometime in the next 12 months enter
20 into a bank direct purchase transaction; and
21 accordingly, we would have a fee at that time.

22 Any questions? Thank you.

23 VICE-CHAIR McCOY: Thanks.

24 LENANE: Okay. Next, I think, is Amendment

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1 No. 5 on your agenda. Swedish American Hospital is
2 requesting authorization to reissue their Illinois
3 Finance Authority Series 2010 bonds. Currently,
4 approximately \$17.5 million remains outstanding.
5 The bonds were a direct placement by Illinois Bank
6 and Trust, which is the successor to Riverside
7 Community Bank.

8 The Series 2010 bank bonds are bank
9 qualified in 2009 as part of ARRA, the American
10 Recovery and Investment Act. The IRS regulations
11 were temporarily revised for '09 and '10 to allow
12 the limit -- they raised the limit on bank-qualified
13 bonds from \$10,000,000 to \$30,000,000 and before the
14 limit was on the issuer.

15 So we couldn't issue more than \$10,000,000
16 bank-qualified bonds prior to 2009, which we didn't
17 because \$10,000,000 would be gone in a minute, but
18 it changed the limit to the borrower.

19 So the limit of \$30,000,000 was on the
20 borrower. So we issued quite a few bank-qualified
21 bonds during that period. Now, what they would like
22 to do is in exchange for a guarantee issued by their
23 new parent University of Wisconsin Hospitals and
24 Clinics Authority and the University of Wisconsin

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1 Medical Foundation, the bank has agreed to decrease
2 the rate from 4.05 to 1.80.

3 So that is quite a substantial decrease.
4 Now, because of all of -- interest rate reduction
5 will cause a deemed reissuance. It is not a
6 refunding of the bonds. The bonds are going to stay
7 the same, but in order to maintain the bank
8 qualifications, there are all sorts of tax hoops
9 that they have to go through.

10 So they have to split the bonds now to
11 under \$10,000,000 each. So we'll have two new
12 bonds, and two subseries and two new loan
13 agreements, and this will allow them to keep the
14 bank qualifications, which is advantageous to the
15 bank. So that is why the bank is willing to reduce
16 the rate, and they have a 15-minute -- 15-day delay.

17 FLETCHER: We can note for the record Member
18 Obernagel has joined the Committee at the time of
19 8:51 a.m.

20 LENANE: Any questions?

21 VICE-CHAIR McCOY: Any questions for Pam?
22 Thanks, Pam. We've gone through all those. I would
23 like to request a motion to recommend for approval
24 the following Project Reports and Resolutions

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1 Items 1 through 5. Is there such a motion, please?

2 FUENTES: So moved.

3 GOETZ: Second.

4 VICE-CHAIR McCOY: All those in favor?

5 (A chorus of ayes.)

6 VICE-CHAIR McCOY: Opposed?

7 (No response.)

8 VICE-CHAIR McCOY: The ayes have it. Moving
9 on, other business. Is there any other business to
10 come before the Committee?

11 Hearing none, is there any public comment
12 to come before of the Committee? If not, and
13 hearing none, I would like to request a motion to
14 adjourn. Is there such a motion?

15 GOETZ: So moved.

16 FUENTES: Second.

17 VICE-CHAIR McCOY: All those in favor?

(A chorus of ayes.)

19 VICE-CHAIR McCOY: Opposed?

(No response.)

21 VICE-CHAIR McCOY: The ayes have it. Thank you
22 very much, everybody.

23 FLETCHER: The time is 8:52.

24 (WHICH WERE ALL THE PROCEEDINGS HAD 8:52 a.m.)

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1 STATE OF ILLINOIS)
2 COUNTY OF COOK) SS:

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

11 _____
PAMELA A. MARZULLO

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