

1 ILLINOIS FINANCE AUTHORITY
2 REGULAR MEETING
3 March 9th, 2017, at 9:30 a.m.
4
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7 Report of Proceedings had at the Regular Meeting of the
8 Illinois Finance Authority on March 9th, 2017, at the hour of
9 9:30, a.m., pursuant to notice, at 160 North LaSalle Street,
10 Suite S1000, Chicago, Illinois.
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1 APPEARANCE:
2 ILLINOIS FINANCE AUTHORITY MEMBERS

3 MR. R. ROBERT FUNDERBURG, Chairman
MR. ERIC ANDERBERG
4 MR. JAMES J. FUENTES
MS. ARLENE JURACEK
5 MR. LERRY KNOX
MR. MICHAEL W. GOETZ
6 MR. ROGER POOLE
MR. BRADLEY A. ZELLER
7 MR. LYLE McCOY
MR. TERRY O' BRIEN
8 MS. BETH SMOOTS
MR. JOHN YONOVER
9 MR. GEORGE OBERNAGEL (Via audio conference)

10 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS
11

MR. BRAD FLETCHER, Assistant Vice-President
12 MR. RICH FRAMPTON, Vice-President
MS. PAMELA LENANE, Vice-President
13 MS. ELIZABETH WEBER, General Counsel
MR. CHRISTOPHER B. MEISTER, Executive Director
14 MR. PATRICK EVANS, Agricultural Banker (Via
audio conference)
15 MS. DENISE BURN, Deputy General Counsel
MS. FRANKIE PATTERSON
16

17 GUESTS:

18 MR. TIM LIPPERT, CenterPoint Joliet Terminal Railroad, LLC
19 MR. MARK DEANGELIS, Integrus Realty

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1 CHAIRMAN FUNDERBURG: Welcome, everyone.
2 Thanks for coming today. I would like to call to
3 order our meeting of the Illinois Finance Authority.
4 I'd like to ask the Assistant Secretary to please
5 call the roll.

6 FLETCHER: Certainly. The time is 9:30 a.m. I
7 will call the roll of Members physically present

8 first. Mr. Anderberg?
9 ANDERBERG: Here.
10 FLETCHER: Mr. Fuentes?
11 FUENTES: Here.
12 FLETCHER: Mr. Goetz?
13 GOETZ: Here.
14 FLETCHER: Ms. Juracek?
15 JURACEK: Here.
16 FLETCHER: Mr. Knox?
17 KNOX: Here.
18 FLETCHER: Mr. McCoy?
19 McCOY: Here.
20 FLETCHER: Mr. O' Bri en?
21 O' BRI EN: Here.
22 FLETCHER: Mr. Pool e?
23 POOLE: Here.
24 FLETCHER: Ms. Smoots?
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1 SMOOTS: Here.
2 FLETCHER: Mr. Yonover?
3 YONOVER: Here.
4 FLETCHER: Mr. Zeller?
5 ZELLER: Here.
6 FLETCHER: Mr. Chair man?
7 CHAIRMAN FUNDERBURG: Here.
8 FLETCHER: Mr. Chair man, a quorum of Members
9 physically present in the room has been constituted.
10 At this time I would like to ask if any
11 Members wish to attend by audio conference.

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12 OBERNAGEL: Yes, sir. George Obernagel because
13 of business.

14 CHAIRMAN FUNDERBURG: Okay. That being said,
15 welcome, George. Is there a motion to approve the
16 request, pursuant to the bylaws and policies of the
17 Authority?

18 FUENTES: So moved.

19 GOETZ: Second.

20 CHAIRMAN FUNDERBURG: All in favor, please say
21 aye.

22 (A chorus of ayes.)

23 CHAIRMAN FUNDERBURG: Any opposed?

24 (No response.)

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1 CHAIRMAN FUNDERBURG: Okay, thank you.

2 FLETCHER: Mr. Chairman, Member Obernagel has
3 been added to the initial quorum roll call.

4 CHAIRMAN FUNDERBURG: Okay. The ayes have it.
5 Thank you. Next I would like to ask for the
6 approval of the agenda.

7 Does anyone have any additions, edits or
8 corrections to today's agenda? Okay. Hearing none,
9 I would like ask for a motion to approve the agenda.

10 KNOX: So moved.

11 JURACEK: Second.

12 CHAIRMAN FUNDERBURG: All in favor, please say
13 aye.

14 (A chorus of ayes.)

15 CHAIRMAN FUNDERBURG: Any opposed?

16 (No response.)

17 CHAIRMAN FUNDERBURG: Okay, the ayes have it.
18 I have just two housekeeping things that you all
19 have a statement of the economic interest in your
20 manila folders.

21 Please go ahead and fill that out, and
22 then also I want to remind our Board Members that
23 you also have Open Meetings Act training that you
24 are responsible for completing relatively soon. So

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1 I just want to remind you of that, and I do believe
2 -- yes, Ms. Burn?

3 BURN: I just wanted to mention that the forms
4 that are included in the Board package are there for
5 informational purposes only. I'll give a little
6 speel later on exactly when the form will arrive and
7 which one you need to fill out.

8 CHAIRMAN FUNDERBURG: Very good.

9 BURN: So I think the answer is don't fill out
10 the ones that are in the book.

11 CHAIRMAN FUNDERBURG: Very good. Thank you.

12 That's all I had. Executive Director Meister.

13 MEISTER: Yes. Thank you, Mr. Chairman.

14 Welcome. This is a Board agenda that I am
15 particularly and personally proud of.

16 I think, number one, as I mentioned in the
17 message from the Executive Director, and this IS A
18 compliment to all members of the Illinois Finance
19 Authority staff team, we have closed just over
20 \$995,000,000 of new money projects since July 1st.

21 That is close to a billion dollars.

22 They have touched nearly every part of the
23 state. It's obviously substantially more, just over
24 \$3.4 billion in total issuance. A lot of those is

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1 refunding, but a new money issuance, as the Board
2 Members know, is generally new construction,
3 rehabilitation of existing structures or land
4 purchases.

5 It is a tremendous accomplishment, and I
6 thank the staff team. Number two, just given the
7 nature of our tool conduit financing, there are
8 places in the state where, frankly, it is not the
9 most ideal tool to have projects.

10 And I think we're fortunate today that
11 we've got two projects that are located in parts of
12 the state that sometimes conduit tax-exempt
13 financing is difficult to reach.

14 I'll start with there is a former Board
15 Member of ours, Dr. Roger Herrin, some of the
16 longer-tenured Members will remember him. He hales
17 from Harrisburg, Illinois, and we have the
18 Harrisburg Medical Center.

19 The last time the Harrisburg Medical
20 Center was issuing tax-exempt bonds, it was from one
21 of our predecessors, the Development Finance
22 Authority in 1993.

23 Dr. Herrin also was the Vice-Chair and the
24 head of underwriting on the very first healthcare

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1 conduit issuing organization authorized by the
2 General Assembly in the 1970s. He told me that
3 Harrisburg Hospital was bond issue No. 5 in the
4 '70s, and he's promised to show me the front page of
5 the official statement.

6 But Harrisburg is in true Southern
7 Illinois, south of U.S. 64, and we're very pleased
8 to welcome them to the agenda.

9 Moving a little bit north, but also
10 keeping in the southern theme, we also have the BHF
11 Project, which is 45 residential housing projects,
12 the majority of which date -- were built before
13 1930, and this is preservation of these projects, 45
14 different buildings, hundreds of units on the south
15 side of Chicago.

16 So from 1524 East 73rd Street on the south
17 side of Chicago to Harrisburg. It's about 334 miles
18 from Quincy to Rockford, where we have two
19 resolutions. It's 268 miles. And from Ford County,
20 on the Indiana border to Quincy, it's 221 miles, and
21 we have a beginning farmer bond from Ford County.

22 So this is just a reminder of how big this
23 state is. How we're fortunate to have a tool that
24 allows us to touch every part of it.

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1 And one final thing, because we have
2 talked about water projects time and time again. In

3 the message from the Executive Director, I will
4 direct people to visit www.greatriverchicago.com.

5 This is a website. We've got a couple
6 copies of the reports that the Metropolitan Planning
7 Council has put up. This is what it looks like.

8 But between the Clean Water Initiative,
9 the State Water Revolving Fund, and various local
10 government direct loans, conduit bonds that we've
11 done through Illinois on behalf of Illinois American
12 and Aqua Illinois, and some special limited-purpose
13 programs that we've worked with the Metropolitan
14 Water Reclamation District on the amazing things
15 that have been done to make rivers, the Chicago
16 River, and the Des Plaines River in northeastern
17 Illinois, more usable, more environmental and an
18 engine for economic growth is pretty amazing.

19 It has a bright future, and we played a
20 small part through the financing in making it
21 happen.

22 CHAIRMAN FUNDERBURG: Okay, thank you. Next is
23 consideration of the minutes. I would like to ask
24 if anyone wants to make any additions, edits,

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1 corrections to the minutes from February 9th, 2017?

2 Hearing none, then I would like to ask or
3 request a motion to approve the minutes. Is there
4 such motion?

5 GOETZ: So moved.

6 OBERNAGEL: Second.

7 CHAIRMAN FUNDERBURG: Mr. Obernagel seconds.

8 All in favor, please say aye.

9 (A chorus of ayes.)

10 CHAIRMAN FUNDERBURG: Any opposed?

11 (No response.)

12 CHAIRMAN FUNDERBURG: Okay. Motion carries.

13 Next is the financial reports. Ms. Patterson?

14 PATTERSON: Mr. Chairman, Members of the Board,
15 good morning. My name is Frankie Patterson, and I
16 will be presenting the financial statements for the
17 accounting period ending February 28, 2017.

18 The financial information provided is
19 estimated and is not final, which is due to the
20 short time period between February 28th and the
21 printing of the Board book.

22 THE Authority's general operating fund is
23 as follows: Estimated total annual revenues equals
24 \$4.1 million and are \$791,000 or 23.9 percent higher

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1 than budget, due primarily to higher closing fees.

2 In February, the Authority generated
3 \$313,000 in closing fees, which is \$22,000 higher
4 than the monthly budget of \$291,000. Total
5 estimated annual expenses equal \$2.2 million and are
6 \$1.1 million or 33.8 percent lower than budget,
7 which was driven mostly by vacant budgeted staff
8 positions and a reduction in spending on
9 professional services.

10 In February, the Authority recorded
11 estimated operating expenses of \$256,000, which is

12 \$156,000 lower than the budgeted amount of \$412,000.
13 This variance is due to employee-related expenses
14 and professional services.

15 Estimated total monthly net income for
16 February is \$113,000. Estimated total annual net
17 income is \$2.5 million. The major driver of this
18 annual positive bottom line continues to be the
19 level of overall spending at 33.8 percent below
20 budget, as well as higher closing and administrative
21 service fees.

22 If there is a significant variance between
23 the estimated February 28 financial information, and
24 the final February 28 financial information, it will

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1 be addressed at next month's Board meeting.

2 The Authority continues to maintain a
3 strong balance sheet. The general prime has a net
4 position of \$56.3 million. Total assets are at
5 \$56.7 million, consisting mostly of cash,
6 investments and receivables.

7 Unrestricted cash and investments totaled
8 \$41.8 million. Receivables totals \$15.3 million, of
9 which \$12.1 million is from the former Illinois
10 Rural Bond Bank, our local government program.

11 Under this program in February, the
12 Authority received semi annual payments of principal
13 and interest in the amount of \$4.3 million.

14 The State of Illinois find purchased
15 receivables report can be located in your Board
16 books under the financial statements tab. The

17 outstanding balance in these receivables was at
18 \$94,000.

19 As mentioned last month, the Authority
20 received a payment in the amount of \$2.5 million
21 from the City of Chicago for a loan payment from the
22 Illinois Housing Partnership Fund that dates back to
23 1986.

24 The outstanding balance on the loan, due
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1 to the right balance of uncollectibles, was
2 \$2.3 million. This generated a recovery of bad debt
3 of \$119,000. Also in February, the Authority
4 disbursed \$646,000 to Loyola Stritch Medical School
5 for 12 students for the academic school year 2016
6 through 2017 under the Deferred Action for Childhood
7 Arrival, known as the DACA Program.

8 The entrance conference for the fiscal
9 year 2017 audit is scheduled for April 19 at
10 2:00 o'clock p.m. This marks the beginning of the
11 one-year financial audit and the two-year compliance
12 examination for period ending June 30, 2017. This
13 concludes the financial presentation.

14 Are there any questions?

15 YONOVER: When do you expect to receive the
16 last of the \$94,000 from the State of Illinois?

17 MEISTER: Good question. The short answer is
18 we don't know, but this was a combination of things
19 we had received checks as recently as December.

20 A number of the obligations that are

21 outstanding, that there was something that was
22 complicated or unusual on the original agency end.
23 There may have been a payment that had been going
24 through separately.

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1 We've been working with the agencies and
2 the Governor's Office to identify them.

3 YONOVER: Is this net of interest or is this
4 just principal?

5 MEISTER: I think it is primarily principal.
6 We still owe-- we're still owed some statutory
7 Prompt Payment Act, but the Statutory Prompt Payment
8 interest is a separate stream of revenue.

9 And I believe that the way that we have
10 these transactions documented, that there may --
11 that there will be a different line of payment that
12 may lead through the State Court of Claims
13 ultimately. Hopefully, we can avoid that.

14 YONOVER: And I'm just a bit confused on this
15 report, because it shows balance due from Kelner,
16 which is one of the payables?

17 MEISTER: Yes.

18 YONOVER: So the State of Illinois will
19 ultimately pay Kelner, and then Kelner will have to
20 pay us back?

21 MEISTER: That is one of the complex items. We
22 had been assigned a receivable; and then separately,
23 while that transaction was going on, there was
24 separate payments on that same receivable. And so

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1 we've been working, frankly, for a number of months
2 to work that out.

3 YONOVER: So in this particular case, this
4 vendor was paid twice?

5 MEISTER: Yes.

6 YONOVER: That's not good.

7 MEISTER: No.

8 YONOVER: Is that part of the \$94,000?

9 MEISTER: Yes.

10 YONOVER: The majority of what we're still owed
11 is from private enterprises?

12 MEISTER: Yes. And, again, these are long-term
13 vendors who are constantly getting revenue streams
14 from the states for goods and services. On the flip
15 side, we do have offset powers and things like that,
16 but we're still working through those.

17 The additional complexity is that the
18 impasse budget ended on December 31st. So obviously
19 there have been robust discussions down in
20 Springfield, and I would prefer not to predict any
21 outcomes.

22 But I think that, by and large, we will
23 continue to work on these issues to resolve them,
24 and at this time I don't believe that we are headed

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1 for any loss. If that changes, I will share those
2 facts with the Board.

3 YONOVER: One last question. Sorry to belabor
4 this, but I just want to understand it. So this
5 indicates \$61,000 from Kelner, and then this last
6 spender, Cisco St. Louis, is that another situation
7 where they were paid?

8 MEISTER: Yes.

9 YONOVER: So, really, the State of Illinois
10 doesn't owe us money, these two vendors do?

11 MEISTER: Yes, but the reason why we became
12 involved was to help various state agencies manage
13 their essential services vendors.

14 And so they've been in a -- again, I've
15 not been in direct conversations with these vendors
16 or with the State agencies.

17 Elizabeth, our General Counsel, who I've
18 asked to attend a Bond Lawyer's Conference to update
19 on legal development, but she's the one who
20 typically has these conversations, but it's -- I
21 think it's fair to say it's probably a joint vendor
22 State agency responsibility to resolve these.

23 YONOVER: Okay, thank you.

24 GOETZ: Chris, is there a possibility we're
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1 going to be asked for more money?

2 MEISTER: There is always that possibility. In
3 fact, I received a very preliminary inquiry on this
4 point yesterday afternoon.

5 I made a request for a number of
6 additional facts; and as the Chairman, and I have
7 said in the past, if we receive more requests, we

8 will share those and present the facts to the Board.

9 GOETZ: Okay.

10 CHAIRMAN FUNDERBURG: Any other questions?

11 PATTERSON: I will now turn the podium over to
12 Executive Vice-President Lenane, who will summarize
13 the 1985 pool, which is a legacy program of ours.

14 CHAIRMAN FUNDERBURG: Good. Thank you.

15 MEISTER: And as Pam approaches podium, I just
16 want to note that with tax reform being discussed in
17 Washington, the longevity of our organization, and
18 its predecessors, and as we've highlighted a couple
19 of matters from deep in the past in the '80s, just
20 underscores the important of the work that we do,
21 and I think this is a particular success.

22 LENANE: Thank you, Director Meister. If you
23 go to right at the end of the financials, there's a
24 memorandum that I prepared.

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1 Well, in December of 2016 and
2 December 2017, the Authority distributed
3 \$4,872,307.83, from the 1985 Revolving Pool
4 Financing Program to Illinois healthcare providers.

5 And if you go to Exhibit B, I've got an
6 attachment in the exhibit of the memo. This is
7 Attachment B. There's a long list of hospitals that
8 we distribute these monies to.

9 During the course of the pool, 175 loans
10 were made to healthcare borrowers. This occurred
11 prior to the enactment of the 1986 Reform Act. In

12 1985, they knew there were going to be a lot of
13 restrictions on tax-exempt financing.

14 So our predecessor of the Authority, the
15 Illinois Health Facilities Authority, issued a
16 revolving pool of \$175,000,000 to make loans to
17 hospitals and healthcare institutions.

18 The bonds were short-term variable rate
19 debt, and the average interest rate over the 30
20 years was 3.5 percent. So it was very affordable.
21 I mean, some years, as it was tied to SIFMA, some
22 years the interest rate was as low as 1.5 percent,
23 and a lot of hospitals used it for short-term money,
24 like, to begin construction, before they did their

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1 bonds.

2 Also, there were many advantages prior to
3 the 1986 Reform Act. You could issue a blind pool;
4 in other words, a pool where the borrowers hadn't
5 been identified. You can't do that anymore.

6 You could also use -- there were
7 tax-exempt purposes you could use this for, that you
8 could no longer do anymore, like medical office
9 buildings could be financed.

10 Also, there was no use for life
11 calculation of assets and there was no arbitrage.
12 So, really, I mean, prior to the 1986 Reform Act,
13 there were a lot of nice things for hospitals and
14 healthcare institutions.

15 So at consolidation, the Illinois Finance
16 Authority took over the administration of the 1985

17 pool. This administration of the pool indicates --
18 shows our stewardship of prior Authority's programs,
19 how this program long predates the four points in
20 the strategic plan.

21 We feel that it certainly met those
22 principals. The program was firmly within the
23 Authority's statutory mission. The degree of
24 potentially -- of particular risk was truly shared

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1 with the borrower.

2 The fees were priced consistently with
3 short-term and long-term program burden, and this
4 was a program that only the Authority could have
5 done.

6 And during the 30 years, there were no
7 defaults on any loan, which is amazing. So -- but
8 when a consolidation, when the Authority took over
9 the pool, we examined the fees within the structure
10 of the pool and found that we could save a lot of
11 money by lowering those fees through negotiation
12 with banks and remarketing agents and trustees.

13 And so by reducing the fees internally in
14 the pool structure, we were able to pay the
15 borrower, lower the fee to the borrower, and pay
16 ourselves a fee.

17 So over 10 years, the Authority has
18 collected approximately \$1.2 million in fee income,
19 and you could see that on Exhibit A, which is on the
20 back of the memo, and that amount was tied to the

21 amount of the pool loans outstanding.

22 And when we took it over, we looked on the
23 debt service reserve, which was 10 percent of the
24 originally-issued amount of the bonds. It came

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1 down. But in 2004, it was about \$15,000,000.

2 So when we took it over, that wasn't
3 earning any interest. So we did an RFP. We hired a
4 professional money manager, and we also determined
5 that you could invest money that wasn't currently
6 being lent out, you know, sort of -- well, the
7 funding -- the professional money manager did this.

8 But we figured out if money wasn't going
9 to be loaned out for a year, it should be invested
10 for year or if it was six months. So we made some
11 estimates there.

12 And then at the end, when the pool
13 terminated, and the last loan was paid off, there
14 was \$4,872,307.83, which is remarkable, really.

15 Most of these pools zeroed out. They had
16 nothing in them. Some even cost us money to get out
17 of at the end.

18 MEISTER: Legal fees, primarily.

19 LENANE: Yes, primarily legal fees. But this
20 really was remarkable, and I congratulate myself for
21 investing the money; but the trustee, Wells Fargo,
22 has been on the '85 pool since its inception. And
23 Dan Bacastow at Chapman has been the lawyer for the
24 '85 pool since its inception.

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3 procurement report? Having said that, that's it
4 then.

5 CHAIRMAN FUNDERBURG: Okay, thank you very
6 much. Next up are Committee reports. Mr. McCoy?

7 McCOY: Thank you, Mr. Chairman. The
8 Tax-Exempt Conduit Transaction Committee met earlier
9 this morning and voted unanimously to recommend
10 approval for each of the Tax-Exempt Conduit
11 Transaction matters on today's agenda, including two
12 beginning farmer bonds, CenterPoint Joliet Terminal
13 Railroad, LLC; BHF Chicago Housing Group; Montgomery
14 Place; Franciscan Communities; Harri sburg Medical
15 Center; POB Development, LLC, Project; and the
16 Northern Illinois Conference of the United Methodist
17 Church.

18 CHAIRMAN FUNDERBURG: Okay, great. Thank you.
19 Next, then, I would like to ask for the general
20 consent of the Members to consider the Project
21 Reports, which are up next, and Resolutions,
22 collectively; and to have the subsequent recorded
23 vote applied to each respective individual Project
24 and Resolution, unless there is any specific Project

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1 Reports and Resolutions that a Member would like to
2 consider separately.

3 Are there any? Okay. If not, then, I
4 would like to go ahead ask the staff to present the
5 reports. Patrick, I think you are up first.

6 EVANS: Good morning. Today we have two
7 beginning farmer bonds. Both bonds will have

8 mortgage position. The first one is Jacob A. Birch,
9 who is purchasing 61 acres of bare land. Total cost
10 of this purchase is \$496,592 for \$8,141 per acre.

11 The Vermillion Valley Bank will be the
12 only lender related to this purchase. IFA will
13 provide a beginning farmer bond to this bank for
14 58 percent of the purchase price or \$287,500.

15 This will be a first mortgage position on
16 61 acres. The bank would have a second mortgage
17 position for 19 percent, with the borrower injecting
18 23 percent of equity. Terms of the bonds -- the
19 term of the bond are identified in the write-up.
20 The property is located in Ford County.

21 The second is to Kevin Timothy Thole, who
22 is purchases 40 acres of farmland and real estate.
23 Total cost of the purchase is \$140,000; however, the
24 farmland is valued at \$70,000.

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1 Bradford National Bank of Greenville will
2 retain 50 percent or \$70,000 of the purchase price.
3 IFA will provide a beginning farmer bond to the
4 bank, who will maintain a first position on
5 50 percent of the debt.

6 Basically, IFA will be -- will have the
7 bond for the bare land value. The bank will utilize
8 the FSA 5/45/50 beginning loan program, and the
9 terms of the bonds are identified in the write-up.
10 The property is located in Southern Montgomery
11 County.

12 CHAIRMAN FUNDERBURG: Okay.
13 EVANS: Any questions?
14 CHAIRMAN FUNDERBURG: Questions? Okay, thank
15 you, Mr. Evans.
16 EVANS: Thank you.
17 FRAMPTON: Good morning. I'm Rich Frampton.
18 Next we'll move on to tab 2 and one-time
19 consideration of a Final Bond Resolution for
20 CenterPoint Joliet Terminal Railroad, LLC, in a
21 not-to-exceed amount of \$150,000,000.
22 CenterPoint Joliet Terminal Railroad, LLC,
23 is requesting approval of a Final Bond Resolution
24 for the issuance of surface freight transfer
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1 facilities revenue bonds in an amount not to exceed
2 \$150,000,000.
3 Bond proceeds would be used to finance the
4 fourth series of bonds that the Authority has issued
5 on behalf of CenterPoint since 2010 under the U.S.
6 Department of Transportation Private Activity Bond
7 Program that was established in connection with the
8 2005 Surface Transportation Act.
9 The anticipated issuance amount is
10 \$130,000,000. And following issuance of the
11 proposed 2017 bonds, the Authority will have issued
12 \$455,000,000 of bonds for CenterPoint Joliet
13 intermodal facility since 2010.
14 In terms of prior Board actions and voting
15 records, those are noted on page 2 of your report.
16 Under the sources and uses of funds, you can see the

17 history of the four financings we've done today,
18 beginning with the \$150,000,000 issuance in 2010.

19 Like the prior bond issues, this series
20 will be underwritten and privately placed by Sun
21 Trust Robinson Humphrey to members of CenterPoint's
22 banking syndicate led by Sun Trust.

23 The other members -- the other anticipated
24 members of the banking syndicate are listed at the

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1 bottom of page 9 and include Regions Bank, PNC,
2 BB&T, U.S. Bank and Bank of America.

3 So from the Authority's perspective, this
4 is purely a conduit transaction. The banks
5 purchasing the bonds will be assuming all bondholder
6 risk.

7 In terms of the project, itself, there is
8 a map and diagram of the project on page 11 of the
9 report. The IFA bond issues have all focused on
10 financing the Union Pacific portion of the
11 CenterPoint facility. So that's everything north of
12 the U.S. Army boundary area.

13 Separately, CenterPoint has also developed
14 the BNSF Logistics Park in the Village of Elwood.

15 In terms of financial performance and forecast,
16 those are reported for indicative purposes on page
17 12 of the report. You can see that that debt
18 service coverages are strong and what you would
19 expect of a project owned by a real estate
20 investment trust.

21 CenterPoint is a private real estate
22 investment trust. It was a public company up until
23 2006. In 2006, CalPERS took it private. Their
24 current equity partner is GI Partners in Mandel a
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1 Park, California.

2 Ownership information on the members of
3 the CenterPoint Joliet Terminal Railroad, LLC, are
4 noted on page 9 of the report. On pages 8 and 9 of
5 the report, there is a history of the project that
6 reports the key steps that have occurred along the
7 way.

8 Finally, just in terms of job creation and
9 investment, this project obviously has been a
10 rousing success. Page 4 of the report, current
11 jobs. There is currently 8,705 full-time jobs
12 attributable to the CenterPoint facility.

13 That compares to 6,825 the last time this
14 was presented for an inducement resolution in
15 October of 2015. So the account is up by nearly
16 1,900 just since October of 2015.

17 So with that, we recommend approval. We
18 expect to close the bonds actually later this month.
19 And with that, I'll conclude my remarks and open the
20 floor to any questions you may have.

21 Hearing no questions, I would just like to
22 introduce Tim Lippert, who is Vice-President of
23 Finance with CenterPoint.

24 LIPPERT: Hi. I would just like to thank Rich

1 and the staff of the IFA and the Board of Directors
 2 for continuing to support CenterPoint and helping us
 3 finance the build-out of our projects out in Joliet.
 4 Thank you.

5 CHAIRMAN FUNDERBURG: Thank you. You're
 6 welcome.

7 FRAMPTON: Okay. With that, we will move on to
 8 tab 4 in your book, which is also a one-time Final
 9 Bond Resolution for BHF. BHF stands for Better
 10 Housing Foundation.

11 The borrower is BHF Chicago Housing
 12 Group B, LLC. The project will be referred to as
 13 the Better Housing Foundation Icarus Portfolio. The
 14 not-to-exceed amount of the Final Bond Resolution is
 15 \$55,000,000.

16 This financing will represent the second
 17 transaction that we have considered for the Better
 18 Housing Foundation. The first was approved by the
 19 Board last April, and ultimately resulted in the
 20 issuance of bonds for a 13-property portfolio with
 21 262 residential units.

22 Those bonds were investment grade rated by
 23 S&P at BBB and BBB-. The total amount of that bond
 24 issue was just a little over \$13-and-a-half million.

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1 And just for reference, the appraised value of those
 2 properties was roughly \$15,600,000. So the bonds

3 represented an 87-percent advance rate on the
4 appraised value.

5 As with the first Better Housing
6 Foundation transaction, this is a portfolio
7 acquisition of 45 properties. The 45 properties are
8 identified on page 15 of your report. There is a
9 map of where the 45 properties are located on page
10 17 of your report.

11 Across the 45 properties, there are 516
12 units that will be dedicated for rental to qualified
13 low and moderate income households. Because
14 tax-exempt bonds are being issued, the owner will
15 have to assure that the projects satisfy the minimum
16 income requirements that are specified under the
17 Internal Revenue Code.

18 Additionally, pursuant to the Better
19 Housing Foundation's mission, there will also be a
20 land-use restriction under a tax regulatory
21 agreement that will assure that a minimum of
22 75 percent of the 516 units shall be allocated to
23 lease to low and moderate income individuals earning
24 less than 80 percent of the area gross income.

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1 In terms of the unit mixes, those are
2 reported on pages 11 and 12 of the report.
3 Specifically, out of the 516 units, 440 out of the
4 516 are two bedrooms or larger, and 116 out of the
5 -- I'm sorry, 166 out of the 516 are three bedrooms
6 or more. And all together, there are 34 units that
7 are four bedrooms or larger.

8 So in contrast to the project that we
9 financed last year, this project has a far higher
10 concentration of two bedroom and larger projects.
11 The 2016 project was roughly 50 percent one-bedroom
12 units. So as a result of that, these units are more
13 desirable; and as a result, they also appraise
14 better.

15 In terms of occupancy rates, those are
16 reported on page 12 of your report. In 2015, the
17 properties reported 93.8 percent occupancy. Last
18 year was at 95. Currently, as of March 1st, it's
19 95.3 percent occupancy. So these properties are
20 stabilized.

21 None of these properties have HUD
22 contracts. All of them are voucher -- 42 out of the
23 45 projects currently have HUD housing choice
24 vouchers on them. And as we learned, in connection

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1 with the first project, managing HUD housing choice
2 voucher properties is a specialty area for the
3 property manager, Integrus Realty. Integrus Realty
4 was also involved as the contractor and manager for
5 the Better Housing Foundation's 2016 transaction.

6 In terms of the financial forecast, and
7 the underwriting of the project, these bonds will be
8 rated by S&P. They have applied for a rating. It's
9 my understanding that an S&P analyst will be
10 visiting the properties later this month.

11 An assignment of ratings is anticipated

12 realistically probably sometime next month; and the
13 target ratings on the two series of bonds, based on
14 the debt service coverages, are A+ and BBB-.

15 Also, within the assumptions is a
16 reasonable vacancy collection loss rate,
17 particularly based on the historical performance.
18 And one thing just to note, S&P has their own
19 methodology, in terms of how they evaluate appraisal
20 reports.

21 Among other things, it's my understanding
22 that they assign a fixed-cap rate to all the
23 properties of 7 percent. So as a result of that,
24 S&P's appraised values will end up being higher than

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1 the value reported on page 22 of the report.

2 And in connection with our transaction
3 last year, we issued \$13,560,000 against an adjusted
4 appraisal amount of \$15,560,000. So it was roughly
5 87 percent.

6 But those are the primary considerations,
7 in terms of the project. Just one other comment on
8 the appraisals and property trends, middle of page
9 22. The vacancy rate -- these are considered Class
10 B and C properties.

11 The vacancy rates have fallen from
12 5.7 percent to 1.6 percent for roughly half the
13 properties, and they have fallen from 5.7 percent in
14 2006 to 2 percent for most of the property. So the
15 fact that these have been reporting 5-percent
16 vacancy rates is in line. The fact is few new

17 housing units are being -- affordable housing units
18 are being added to the housing stock.

19 One other comment on these projects,
20 roughly 6 out of the 45 properties actually involve
21 de-conversion from condominium units; and as a
22 result, the de-converted units have a much higher
23 quality interior finishes than one would normally
24 expect on an affordable housing property.

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1 So with that, I will conclude my remarks.
2 I would also just like to introduce Mark DeAngelis,
3 who is the President of Integrus Realty, who
4 is also here to respond to any questions you may
5 have.

6 GOETZ: I don't have a question. I would just
7 like to compliment you for being a part of this. I
8 think this is a great project and very proud that
9 the Finance Authority can help out in this great
10 effort.

11 DeANGELIS: Thank you very much. I would like
12 to thank Rich, Brad and staff. As you see, you know
13 the numbers probably better even than we do. He
14 really dealt with them.

15 I know he's done a great job making
16 presentation to you folks. But again, if you have
17 any questions, we would certainly be available to
18 answer, but we look forward to developing this
19 relationship.

20 I know housing isn't something that the

21 IFA actually focused on over the years. It's a lot
22 recently, and we hope to probably add 1,000 to 1500
23 units a year in the foreseeable future. Everything
24 here in Illinois, we'd love to do it with you guys.

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1 GOETZ: We are here to help.

2 DeANGELIS: Thank you. I appreciate it.

3 CHAIRMAN FUNDERBURG: Any other questions or
4 comments? Okay, thank you.

5 FRAMPTON: Okay, thank you.

6 LENANE: Tab 4 in your book is Montgomery
7 Place. Montgomery Place was here last month. It's
8 a continuing care retirement community located in
9 Hyde Park, and they are requesting a Final Bond
10 Resolution to approve the issuance of a series of
11 tax-exempt bonds in an amount not to exceed
12 \$40,000,000.

13 These bonds are being sold to currently
14 refund the IFA Series 2006A bonds and will be sold
15 in a public underwriting by Ziegler. Since the
16 February meeting, Montgomery Place has determined
17 not to do a direct bank purchase for approximately
18 \$7,000,000 for new money purposes, which was
19 included in the February report.

20 The bonds will not be rated and will be
21 sold in denominations of less than \$100,000. The
22 borrower is requesting a waiver of the policy
23 requiring non-rated bonds to be sold in \$100,000
24 denominations because the bonds are being refunded.

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1 The bonds are being refunded for a present
2 value savings of approximately \$1.9 million. At the
3 end of their fiscal year, Montgomery Place had good
4 debt service coverage of 1.53 and 424 days cash on
5 hand. Any questions? Okay.

6 CHAIRMAN FUNDERBURG: I have a question
7 regarding the exception they are requesting
8 regarding the denomination amount. Do you have an
9 opinion on that?

10 LENANE: Oh, yes. Yes, for sure. We have
11 non-rated bonds, according to our policy, are not to
12 be sold in less than \$100,000 denominations because
13 the thinking based on that is that it will be sold
14 institutionally or to sophisticated investors if
15 it's \$100,000 or more, but this is a refunding.

16 So bonds have already been sold in lower
17 denominations and those lower denominations have to
18 be refunded. So there is an exception to the
19 policy, if you have met certain requirements.

20 You would have to have no defaults in your
21 past history, and that bonds have to be refunded for
22 savings. And so, no, I think it's a good idea, our
23 exception to the policy.

24 CHAIRMAN FUNDERBURG: Okay, thank you. Thank
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1 you.

2 LENANE: Okay. Tab 5 is Franciscan

3 Communi ties, Inc. Franci scan Communi ties is another
4 CCRC, and they came in January for their Preliminary
5 Bond Resoluti on.

6 They are now requesti ng final bond
7 resoluti on to approve the issuance of a series of
8 tax-exempt bonds in Illi noi s, Indi ana and Ohi o,
9 usi ng our mul ti -state legi slati on, in the amount of
10 approxi mately \$100,000,000, a porti on to be sold in
11 a publi c underwri ting by BB&T, and a porti on to be
12 di rectly purchased by a bank or banks to be selected
13 by Franci scan.

14 The bond proceeds will be used to refund
15 all or a porti on of the IFA bonds 2004B, the 2007A
16 bonds and the Series 2013 bonds in the County of
17 Cuyahoga, Ohi o Heal thcare Faci lity's bonds 2004C
18 and D.

19 Bond proceeds will also be used to finance
20 or reimburse Franci scan or Uni versi ty Place, an
21 affi li ate of Franci scan, for the cost of new
22 projects, whi ch will produce 20 constructi on jobs.

23 Franci scan has locati ons in Chi cago,
24 Li ndenhurst, Lemont, Wheeli ng, Homer Glen, Crown

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1 Poi nt, West Lafayette, Indi ana, and Parma Ohi o.

2 These faci lities operated by Franci scan
3 and Uni versi ty Place consist of 1,948 uni ts,
4 totali ng --i ncludi ng 476 entrance fee uni ts, 257
5 rental i ndependent livi ng uni ts, 339 assi sted livi ng
6 uni ts, 68 memory care uni ts and 808 ski lled nursi ng
7 beds.

8 The bonds have just been rated triple B-
9 stable by Fitch. At the end of the fiscal year
10 2016, Franciscan has good debt service of 2.09 and
11 267 days cash on hand.

12 The purpose of the refunding is to take
13 advantage of today's low interest rates and to allow
14 them to borrow an additional \$15,000,000 for the new
15 money projects by refunding at a lower rate and
16 structuring of the amortization.

17 Any questions? Okay. Tab 6, which is
18 Harrisburg Medical Center, which the Director
19 mentioned, and we're very happy to have them at the
20 Finance Authority, they were requesting a one-time
21 Final Bonds Resolution to approve the issuance of a
22 series of tax-exempt bonds in an amount not to
23 exceed \$20,000,000, to refund certain taxable bonds
24 and to fund new money projects.

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1 The new money projects include relocation
2 and renovation of the emergency department,
3 modernization of the existing -- of the existing
4 emergency department's base for surgical and
5 recovery suites, construction of an additional
6 surgical suite, a cardiac rehabilitation suite, a
7 hospital registration space and a parking lot.

8 These projects will produce 45
9 construction jobs and 25 new jobs. Harrisburg
10 operates a hospital facility, of course in
11 Harrisburg, that is licensed for 77 beds with 46 --

12 including 46 short-term acute care beds and 31
13 psychiatric beds currently in service.

14 The bonds will be purchased by People's
15 National Bank in Harrisburg. Harrisburg has good
16 debt service coverage of 2.05 and 73.5 days cash on
17 hand.

18 Now, if you look at a page in this report,
19 if you look at page 5 of the report, you'll see the
20 service area and the counties that are within the
21 service area. They have stars here, White County,
22 Saline County -- page 5 -- White County, Gallatin,
23 Saline, Pope and Hardin.

24 So they have a wide area that they

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1 service. Jim Broeking, the bond counsel, is here
2 today, if you have any bond counsel questions.

3 MEISTER: Raise your hand, Jim.

4 LENANE: So, as I said, as the Director said,
5 we're very pleased that they came to us, and I thank
6 everybody involved for getting us involved. Thank
7 you, Jim. He also helped. So any questions?

8 CHAIRMAN FUNDERBURG: Great. Great. Thank
9 you.

10 LENANE: Thank you.

11 FLETCHER: Okay, next we have two resolutions
12 I'll be presenting very briefly. Tab No. 7 in your
13 Board books is a Final Bond Resolution on behalf POB
14 Development, LLC, in a not-to-exceed amount of
15 \$10,000,000.

16 POB Development is seeking to refund its
Page 34

17 outstanding 2012 midwestern disaster area revenue
18 bonds and issue a new 2017 bond, which will be
19 purchased by its new relationship lender, Midwest
20 Bank Centre out of St. Louis.

21 As some Members may remember, MDABs are a
22 since-expired conduit tax-exempt bond product. The
23 Congress authorized it because of the severe 2008
24 floods that occurred across the midwest.

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1 At the time utilizing this limited time
2 bond product, POB Development issued its \$10,000,000
3 in 2012 to finance the cost of constructing and
4 equipping a medical office building located in
5 Quincy, Illinois, adjacent to two existing office
6 buildings on the Blessing Hospital Campus.

7 The 60,000 square foot three-story
8 building was leased to Blessing Hospital; and as a
9 result of that, in fact, the hospital is considered
10 a principal user for tax purposes.

11 The owners POB Development, LLC, which was
12 a special entity formed to develop and construct
13 this office building, are employees of S.M. Wilson &
14 Company, which is engaged by Blessing Hospital to be
15 the general contractor and developer of the office
16 building.

17 Finally, I did want to point out that it
18 should be pointed out the borrower has limited
19 options for the outstanding debt, because the bond
20 product has since expired, essentially all they can

21 do is refund the outstanding debt, without
22 stretching out the weighted average maturity.

23 Because of the nature of this transaction,
24 we're going to offer our discounted fee, given the
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1 outstanding amount just under \$10,000,000. Our
2 estimated close fee will be approximately \$10,000.

3 Any questions? Okay. Moving ahead to tab
4 No. 8 in your Board book is a Final Bond Resolution
5 on behalf of Northern Illinois Conference of United
6 Methodist Church.

7 United Methodist Church originally issued
8 its Series 2007 bond in a not-to-exceed amount of
9 \$3.4 million to finance the cost of constructing and
10 equipping an approximately 26,000 square foot
11 multipurpose community center and parking area in
12 Machesney Park in Winnebago County.

13 Northwest Bank of Rockford was the
14 original lender of the 2007 deal and continues to
15 hold the bond as an investment. United Methodist
16 Church operated the project as a multipurpose
17 community center, as originally contemplated until
18 this past October, at which point it sold the
19 project to Easter Seals Metropolitan Chicago.

20 Easter Seals began utilizing the building
21 as a school for children with disabilities and
22 special needs. So as a result, the Northwest Bank
23 of Rockford is seeking your consent by approval of
24 this resolution to assign all obligations under the

1 existing bond documents to Easter Seals; and,
2 likewise, release United Methodist Church from any
3 and all obligations going forward.

4 I should point out at this time as of
5 March 1st, approximately \$2.5 million of the
6 original \$3.4 million remains outstanding.

7 As far as Easter Seals, they are a
8 previous borrower of the Authority themselves
9 issuing approximately \$9,000,000 in 2007 to develop
10 a therapeutic school and autism research center on
11 the Illinois Medical District Campus, which is
12 located on the near west side.

13 So as a current borrower of the Authority,
14 and one we can expect to see in the near future,
15 we're treating this assignment as a technical
16 amendment to provide good customer service. We're
17 going to provide this approval at a discounted fee,
18 which is zero.

19 I can take any questions. It's something
20 we don't usually see, but I think it works out.
21 It's a good amicable solution. Thank you.

22 BURN: I'll be presenting for approval of the
23 remaining three resolutions in the books at 9, 10
24 and 11 tabs all of these concern procurement issues.

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1 And I just say as an overarching comment,
2 with respect to all three resolutions, that the

3 activities that approval is sought for will all be
4 accomplished in accordance with procurement
5 regulations, whether that be through a competitive
6 bid process, or sole source, or some sort of
7 procurement methodology, which is the most
8 efficient, and also the most cost-effective way of
9 achieving of them.

10 The first resolution in tab 9 seeks
11 approval to go forward with procurements with
12 respect to the State Revolving Fund and Clean Water
13 Initiative. A series of professionals need to be
14 procured with respect to that transaction.

15 Notably, the underwriters, which we will
16 achieve through a competitive bid process and a
17 series of other professionals, including bond
18 counsel, trustee, rating agencies, et cetera.

19 What the resolution seeks authority for
20 the Executive Director and the Authority to go
21 forward with those procurements. Any questions with
22 respect to that resolution?

23 KNOX: When do we expect the procurements to be
24 released to public notice?

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1 BURN: In terms of the RFP for the
2 underwriters, it should be within the next week or
3 so, I would imagine. I don't think it's --

4 MEISTER: Yes.

5 BURN: You know, within the next week,
6 actually, is we're hoping for.

7 KNOX: And that is publicly disseminated?

8 MEISTER: Yes.
9 KNOX: And we post it to bond buyers?
10 BURN: It's a competitive bid process.
11 KNOX: It's competitive? Everybody gets
12 notification?
13 BURN: Yes. Well, the RFP will be published on
14 the Illinois procurement bulletin.
15 KNOX: Yes.
16 BURN: Which, you know, a lot of folks keyed
17 into that, so they actually receive notice when
18 something is posted.
19 We also generally will look at the file
20 and see who else responded in the past, or who is an
21 incumbent underwriter, and we disseminate the
22 information to them at the same time as publicly
23 posted. So there is a wide dissemination of
24 information.

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1 KNOX: Similar with the other professionals,
2 trustees, legal?
3 BURN: You know, it really depends on how they
4 are procured. For example, if the Authority is not
5 actually making a payment, with respect to those
6 professionals, it generally is not something that
7 would necessarily be caught within the procurement
8 requirements.
9 However, there is a borrower, and
10 obviously a lender, that are concerned with those,
11 you know, the actual procurement. So to the extent

12 that it is a procurement that we would be paying
13 money with respect to, and involved in, then there
14 are other methodologies other than an RFP.

15 But, again, if we're procuring, whether
16 it's with an RFP, or just simply a notice, we will
17 -- we are required to disseminate to other than just
18 one person. So it's, you know, it's as wide a
19 distribution as we can achieve.

20 KNOX: Okay.

21 MEISTER: Just before we move this topic, and
22 this was an addition in the manila holder, we added
23 four words in Section 2 under the types of
24 professionals to include "lending or banking

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1 services."

2 This is within the open meetings notice
3 requirement, but we wanted to highlight this to the
4 Board because last year, when we were doing the
5 Clean Water Initiative and State Water Revolving
6 Fund, we had used an older competitively procured
7 set of contracts, and there was a limitation in
8 contractual language to underwriting services.

9 And one of the possibilities that arose
10 was that if there was a delay in the timing of the
11 closing of the public offering, that we might have
12 needed some sort bridge loan or bridge financing.

13 And that was a little bit of a procurement
14 wrinkle and we intent on this document, that's going
15 to be publicly disseminated, to include language to
16 allow lending banking services as part of or in

17 addition to underwriting services.

18 In addition to that, as Denise noted, and
19 I think it's important for potential vendors to
20 understand, State law controls this process. The
21 Chief Procurement Officer, which is a State
22 statutory entity, sets the rules and controls this,
23 and they have deemed the -- is it a web portal?

24 What is the website where they have to --

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1 where potential vendors need to go and put in all of
2 their information and register for.

3 BURN: That's called the Gateway, Procurement
4 Gateway, which is different than the Illinois
5 procurement bulletin.

6 Being registered in the Gateway means that
7 the kinds of extensive registration form that you
8 would have to complete, in connection with any RFP,
9 is considerably shortened because you've already
10 input all of that information or most of it.

11 So, essentially, what you're doing, then,
12 is certifying to information in the Gateway. We
13 encourage vendors to register in the Gateway.

14 MEISTER: Yes.

15 KNOX: Is there a link from our site, from the
16 IFA website, to the Gateway into the procurement
17 portals, to make it easier for vendors to find it?

18 BURN: I don't know that we link. I don't
19 think we link to them.

20 FLETCHER: There is a link at the bottom of our

21 home page. It doesn't necessarily link to SRF link.

22 KNOX: I understand, but to Gateway and to the
23 RFP?

24 BURN: To both Gateway and the procurement? I
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1 apologize, I don't know the answer to that.

2 MEISTER: We will figure out how to do that,
3 and if that is possible to do, and we'll advise the
4 Board before this gets disseminated within the next
5 week or two.

6 I think it's important, while we do some
7 direct outreach with people that we have contractual
8 relationships with, but the procurement regulator's
9 preference, over a period of years, has been to
10 drive potential vendors to the Gateway to do their
11 registration there and to have one central pipeline
12 for all opportunities.

13 So we've been trying to do that, and
14 that's been since the statutory procurement reform a
15 number of years ago.

16 BURN: It's been very successful, too, I think
17 in connection with the legal services RFP, which we
18 just did. We found -- we had done an amendment last
19 year, and there was a significant portion that were
20 not covered or not registered in the Gateway.

21 And this time we found, you know, at least
22 in excess of half of them, and maybe more, actually,
23 had chosen to register in the Gateway because it's
24 significantly easier than the kinds of forms that,

1 you know, have to be filled in every time you
2 respond to an RFP.

3 KNOX: One last question, just for
4 clarification. As we run these processes, do we
5 create a pool of qualified vendors, whether it's
6 legal service professionals, underwriters or other
7 professionals to help us with our offerings for what
8 we pay, and we can then choose the vendors that work
9 with us from a pre-defined pool that go through this
10 process?

11 BURN: We certainly do, with respect to the
12 underwriters and banking services that we will be
13 doing. Some of the -- you know, if it's
14 appropriate, and we are procuring with respect to a
15 number of people, that's how it would be done.

16 It's a little more interesting when you
17 think of rating agencies because, of course, there's
18 not -- you don't have a pool. It's the same folks
19 who come up again and again.

20 So, in part, it depends on the kind of
21 professional that's being -- like, for example, road
22 show professionals, that may be something that the
23 underwriter -- and, in fact, we anticipated it would
24 be something that the underwriters would be very

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1 interested in and would have, you know, input with
2 respect to that, including -- primarily because

3 those kinds of professionals are paid out of bond
4 proceeds, which makes it a little different from the
5 procurement perspective.

6 KNOX: Understood.

7 BURN: To the extent that there's an RFP and,
8 you know, pool of professionals, we definitely, you
9 know, established a list of approved people.

10 Not everybody who is on that approved list
11 would obviously ultimately be involved as an
12 underwriter. The underwriter RFP will seek both
13 senior managers and co-managers.

14 So, you know, obviously there is only one
15 senior or one or two senior managers on any
16 transaction. So there will be some sort of mini
17 procurement process at that time from the list.

18 KNOX: Understood. Thank you.

19 BURN: Moving on to the next resolution in your
20 book at tab 10. This resolution gives authority to
21 the Executive Director to enter into amendments to
22 the two contracts that we have with the current
23 financial advisors.

24 And this is a situation where, under
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1 normal circumstances, we would perhaps seek an RFP,
2 but given that these folks are engaged currently in
3 providing financial advisory services, with respect
4 to the upcoming SRF and a number of other matters,
5 we seek authority to enter into amendments which
6 extend the term of the financial advisor's agreement
7 to March 1 of 2018.

8 So it's less than a year, in terms of what
9 we're looking for, and limit -- increase the amount
10 payable under that contract, but limit the amount to
11 225 for the period commencing on the date of the
12 execution of the amendment through the term of less
13 than one year through March 1.

14 MEISTER: And also just a note on the role of
15 the financial advisors, particularly in the Clean
16 Water Initiative and State Revolving Fund, the
17 financial advisors serve a fiduciary role on behalf
18 of both Illinois Finance Authority as the issuer,
19 and the Illinois Environmental Protection Agency is
20 the, in essence, the borrower and the administrator
21 of the pool.

22 And so they watch -- and I think this role
23 was successfully done last year in September of '16.
24 They make sure that basically the public side is

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1 getting the best possible value, and they have a
2 fiduciary contractual duty to do that.

3 I had asked the procurement regulators for
4 this extension because given the timeline, I did not
5 want people to be -- to have their priorities
6 diverted.

7 BURN: Distracted.

8 MEISTER: Distracted during this important
9 timeline for the upcoming water bond issuance. And
10 I would also note that or underscore that the two
11 financial advisors, Acacia and Sycamore, they were

12 originally competitively procured, and they are both
13 women-owned firms.

14 BURN: And moving on to the resolution in tab
15 11, which is moving away from the SRF Clean Water
16 Initiative professionals, as in connection with our
17 employee benefits program.

18 The current provider of employee benefits
19 and payroll services is Total Source ADP and that
20 contract expires on May 31, 2017. Total Source
21 approached the Authority regarding an extension of
22 the arrangement, which -- and, by the way, the
23 arrangement we're talking, Source allows us to take
24 advantage of economies of scale where, as you know,

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1 a small agency, I think less than 14 employees right
2 now, so to go into the market, and we will be going
3 into the market, to have -- or we won't be, but
4 Mesiraw Alliant will be going into the market to
5 examine what -- you know, what alternatives are
6 available to us.

7 So, you know, given the limit on the
8 number of people in our organization, to achieve or
9 acquire employee benefits from sources other than
10 Total source, but being part of the Total Source
11 arrangement, because of the way they established
12 that pool of folks that they offer these benefits
13 to, allows us -- does the economy of scale.

14 So, actually, pursuing the Total Source
15 arrangement may well be the most cost-effective way
16 of achieving the current level of coverages, but

17 obviously you want to go out and do the market test
18 to make sure we're not, you know, missing something.

19 Any final arrangement, obviously, will be
20 in accordance with procurement regulations.

21 MEISTER: So -- and before any questions, I do
22 just --

23 BURN: Oh, I was just going to mention --

24 MEISTER: Oh, go ahead.

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1 BURN: Well, what I was going to say is that
2 Total Source has offered a discount in their
3 administrative fee, if we procure it for two years.
4 So that's something that we're exploring, and we
5 will explore both with the regulators and ADP.

6 MEISTER: Before any questions, I do just want
7 to compliment Denise for her management and
8 leadership of this entire procurement area.

9 This particular contractual relationship,
10 which is of high importance to my colleagues on the
11 team, and of importance to the Members of the
12 Authority, because of the statutory authorization of
13 Board Members to set the terms of compensation and
14 benefits.

15 This was one of the first matters that Rob
16 and I discussed because there were various
17 procurement issues that were surfacing shortly after
18 April of 2015. We have been very transparent with
19 the procurement regulators on this, and we expect to
20 be so in the future.

21 We anticipate that the regulators will
22 schedule some sort of public hearing that Denise and
23 I and Elizabeth, and likely Six, will participate in
24 to discuss this, but it's an important contractual

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1 relationship.

2 We benefit from a much larger pool than we
3 would otherwise. And, again, the level of detail,
4 the level of forms, the level of documentation, the
5 level of bureaucracy that this requires, is
6 something that is a significant commitment.

7 I applaud Denise for throwing herself into
8 this extremely important, but rather esoteric area
9 of the Illinois law and governance. I also want to
10 compliment -- I cannot name them, but there were a
11 number of senior members of our team that have been
12 deeply involved in the legal procurement, and are
13 likely going to be involved in the State Revolving
14 Fund Clean Water Initiative procurement.

15 They have devoted many, many hours to
16 this. One of them shared with me that their work
17 alone was about 60 hours in a month for the legal
18 procurement.

19 Multiply that by three, in addition to the
20 other depth of the workload, and then all of the
21 supporting work that goes along with it, you get a
22 sense of the depth and level of commitment, which we
23 embrace.

24 We're happy to do and we've embraced it.

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1 We're working on it. We're committed to it, but it
2 is a significant commitment of our budget.

3 BURN: Any time you do an RFP, obviously it's
4 great to get a number of responses, but those all
5 have to be evaluated in a very controlled way all
6 the time.

7 MEISTER: Detailed.

8 BURN: Very detailed, very controlled way. The
9 regulators want to see all of the evaluations. When
10 you are dealing with a number of people, you know,
11 in a profession, it can be problematical.

12 It's not just a quantitative analysis of,
13 you know, sort of who is the cheapest or, you know,
14 you're really looking at a number of other factors
15 as well, and the cheapest may not always be
16 necessarily the best.

17 Are there any questions at all on any of
18 the -- sure.

19 JURACEK: I'm confused by the caption on the
20 memorandum and then the actual resolution. The way
21 I read the caption, it says it's a resolution
22 authorizing the Executive Director to enter into a
23 contract with Total Source, Incorporated, and one or
24 more affiliates.

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1 Yet I read the resolution, and it's a much
2 more generic resolution that acknowledges the

3 contract is expiring, and it gives the Authority to
4 the Executive Director to negotiate whatever going
5 forward.

6 BURN: I think the resolution --

7 JURACEK: So can you explain this a little bit?

8 BURN: The resolution is what would govern. I
9 think really the heading is probably more limited
10 than it should have been because the intent -- first
11 of all, from a procurement perspective, we are not
12 doing an RFP, with respect to the employee benefits,
13 and that is for a number of reasons, not least of
14 which is the -- if you think about what an employee
15 benefit provider would need, in order to really
16 respond to an RFP, they need a whole bunch of
17 information, with respect to the individuals
18 involved that are, you know, going to be covered by
19 the plan, and you run into HIPAA issues. You run
20 into all sorts of issues.

21 So what that may mean is we end up doing
22 what is called a sole source where we have to
23 justify to the State, State regulators, that we have
24 done appropriate due diligence to enable us to say

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1 that the source of this service that we're looking
2 at is not only the best in terms of coverage or
3 service, but also from a pricing point of view as
4 well; hence, we will be very involved with Mesirov
5 Alliant.

6 So notwithstanding what the heading said,
7 there is no intent necessarily immediately to be

8 entering into a contract. We have to do the due
9 diligence with Mesirov and Alliant.

10 We have to establish that there's really a
11 significant advantage to staying with Total Source
12 because, again, they pool us from actuarial point of
13 view with a whole bunch of people.

14 JURACEK: That part makes sense. But, to me,
15 there's a difference between the administration, or
16 hardware and software that administers the program,
17 and the actual benefits, the actual insurances, et
18 cetera. They're two different things.

19 And so, basically, I see Total Source
20 right now as functioning as the intermediary that
21 makes --

22 BURN: No, they are actually the provider of
23 the benefits.

24 JURACEK: Okay.

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1 BURN: One their affiliates.

2 JURACEK: So the insurance goes through them
3 and everything else?

4 BURN: Yes. The insurance is not through
5 Mesirov. I mean, the insurance is actually provided
6 by ADP. I don't think it's necessarily Total
7 Source.

8 I think there's another one of their
9 affiliates that actually is the insurer. So the
10 insurance is provided through Total Source.

11 JURACEK: So Alliant Mesirov will help survey

12 the market to benchmark what we might be getting
13 from them.

14 BURN: Well, they'll look at that, and they're
15 also going to be testing the market to see if there
16 is anyone else out there who can provide similar
17 coverage given, again, the dynamic of our -- you
18 know, just the logistics of how many people we have
19 and, you know, what our actuarial pool in such a
20 small case looks like.

21 And that's what happened in the past. You
22 know, unfortunately, it is much more, and we all
23 know we're dealing with these healthcare issues on
24 the news right now, but it is much more cost

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1 effective to be part of a larger pool than a smaller
2 pool.

3 JURACEK: Right, yeah. I mean, my concern is
4 just the whereases don't match the title, and it's
5 the whereases that governs.

6 BURN: I apologize for that.

7 MEISTER: Also, just to clarify --

8 BURN: You mean from a resolution point of
9 view?

10 JURACEK: Right.

11 BURN: Okay.

12 JURACEK: The resolution is much more generic.
13 It's authorizing the Executive Director to do
14 whatever it does. It's not authorizing him to enter
15 into a contract with Total Source.

16 MEISTER: Well, because I think we need to go

17 through the regulators, have this hearing, get what
18 direction, and we will come back to the Board.

19 JURACEK: It doesn't preclude Total Source from
20 being the extender.

21 MEISTER: Yes.

22 JURACEK: But, in fact, it's a much more
23 generic resolution.

24 BURN: We would come back, and that's my
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1 understanding is --

2 MEISTER: Yes.

3 BURN: -- that we would come back to the Board
4 to explain what the process was and what the
5 detailed results of that -- you know, the
6 investigation were. So apologies for that.

7 MEISTER: And also to clarify, going back to
8 the creation of the Authority, the contractual
9 relationship that we have with this ADP Total Source
10 affiliate is, the acronym is PEO, Professional
11 Employer organization.

12 The staff of the Authority, including
13 myself, we are, in essence, joint employees of ADP
14 Total Source, and that allows access to this larger
15 insurance pool which, I mean, for a number of years
16 our insurance rates have stayed flat or even
17 declined somewhat.

18 And we have also been able to take
19 advantage of certain legacy policies that would no
20 longer be available on the open market; and, in

21 particular, for an agency of our size.

22 They also do our payroll and our tax.

23 This was something that I think that the original

24 Board contemplated, with the view of keeping the

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1 Members of the Authority separate from the State
2 payroll system, the State benefit system and the
3 State pension system.

4 So this was the arrangement, and we
5 devoted a great deal of time over successive years
6 to work within the parameters of the Procurement
7 Code and within our resources to figure out how to
8 best serve these needs.

9 BURN: And from a resolution perspective, I
10 believe it's the resolution, itself, which would
11 govern, in terms of what you are actually
12 authorizing.

13 JURACEK: It's usually the body that governs
14 itself.

15 BURN: Yes.

16 JURACEK: Okay, thanks.

17 CHAIRMAN FUNDERBURG: Any other questions at
18 all? Okay, if there are none, then I would like to
19 go ahead and ask for a motion to pass and adopt the
20 following Project Reports and Resolutions: Item 1A
21 1B, 2, 3 4, 5, 6, 7, 8, 9, 10 and 11.

22 Is there such a motion?

23 KNOX: So moved.

24 ANDERBERG: Second.

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1 CHAIRMAN FUNDERBURG: It's a tie. Who won?
2 Mr. Knox moved. Mr. Anderberg seconded.
3 Will you please call the roll?
4 FLETCHER: Certainly. On the motion and the
5 second, I'll call the roll. Mr. Anderberg?
6 ANDERBERG: Yes.
7 FLETCHER: Mr. Fuentes?
8 FUENTES: Yes.
9 FLETCHER: Mr. Goetz?
10 GOETZ: Yes.
11 FLETCHER: Ms. Juracek?
12 JURACEK: Yes.
13 FLETCHER: Mr. Knox?
14 KNOX: Yes.
15 FLETCHER: Mr. McCoy?
16 MCCOY: Yes.
17 FLETCHER: Mr. Obernagel on the line?
18 OBERNAGEL: Yes.
19 FLETCHER: Mr. O'Brien?
20 O'BRIEN: Yes.
21 FLETCHER: Mr. Poole?
22 POOLE: Yes.
23 FLETCHER: Ms. Smoots?
24 SMOOTS: Yes.

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1 FLETCHER: Mr. Yonover?
2 YONOVER: Yes.

3 FLETCHER: Mr. Zeller?
4 ZELLER: Yes.
5 FLETCHER: Mr. chairman Funderburg?
6 CHAIRMAN FUNDERBURG: Yes.
7 FLETCHER: Mr. Chairman, the motion carries.
8 CHAIRMAN FUNDERBURG: Thank you. Other
9 business? Ms. Burn?
10 BURN: I'm going to read a statement with
11 respect to the economic disclosure filings.
12 Apologies for confusion. They were included -- the
13 forms were included in the book just for your
14 information on what you would be receiving.
15 And shortly you will be receiving in the
16 mail, and that's how it has to be delivered to you,
17 two economic disclosure forms that needs to be
18 completed and filed with State entities, and the
19 samples are included in your Board packet.
20 First, there's a statement of economic
21 interest that you will be receiving from the
22 Secretary of State. I expect that to be mailed to
23 your home address around March 15. Do not complete
24 the form in your Board packet. I already said that.

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1 The original form you received in the mail
2 should be completed and mailed to Mari Money for
3 review by General Counsel Elizabeth Weber, as
4 required by law.

5 Since all forms must be filed no later
6 than May 1, 2017, we recommend that you send your
7 completed form no later than the first week in April

8 for review, and then we can then file that form for
9 you with the Secretary of State if no changes are
10 needed.

11 Second, there will be a supplemental
12 statement of economic interest that you will receive
13 from the State of Illinois Executive Ethics
14 Commission, and you will receive that around
15 March 20th. That form must be filed by May 1, 2017,
16 also.

17 And, again, please mail the original that
18 you complete to Mari Money, and she will give it to
19 Elizabeth Weber, who will review it on your behalf.
20 Please note that both forms will be a matter of
21 public record.

22 The General Counsel will be sending an
23 E-mail to all Members with the same information,
24 particularly since some Members are not present

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1 today, and Elizabeth Weber will be available to
2 answer any questions you may have about the form, in
3 terms of completing it.

4 CHAIRMAN FUNDERBURG: Okay, thank you. Any
5 questions on that? Okay. So at this point, then, I
6 would like to ask is there any other business to
7 come before the Members?

8 If not, then, is there a motion to excuse
9 the absences of the Members unable to participate
10 today?

11 ZELLER: So moved.

12 CHAIRMAN FUNDERBURG: Okay. Is there a second?

13 O' BRIEN: Second.

14 CHAIRMAN FUNDERBURG: There was a second by

15 Mr. O'Brien. All in favor, please say aye.

16 (A chorus of ayes.)

17 CHAIRMAN FUNDERBURG: Any opposed?

18 (No response.)

19 CHAIRMAN FUNDERBURG: Next I would like to ask

20 if there is any public comment? No. Okay.

21 Thank you all for coming. I would like to

22 call for a motion to adjourn.

23 FUENTES: So moved.

24 CHAIRMAN FUNDERBURG: Mr. Fuentes.

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1 McCOY: Second.

2 CHAIRMAN FUNDERBURG: Okay. Mr. McCoy is a

3 second. All in favor, please say aye.

4 (A chorus of ayes.)

5 CHAIRMAN FUNDERBURG: Any opposed?

6 (No response.)

7 CHAIRMAN FUNDERBURG: Okay, thank you all.

8 FLETCHER: The time is 10:56 a.m.

9 (WHICH WERE ALL THE PROCEEDINGS HAD AT 10:56 A.M..)

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

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4 PAMELA A. MARZULLO, C. S. R., being first duly sworn, says
5 that she is a court reporter doing business in the city of
6 Chicago; that she reported in shorthand the proceedings had at
7 the Proceedings of said 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 of said meeting.

10

PAMELA A. MARZULLO
License No. 084-001624

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