

1 ILLINOIS FINANCE AUTHORITY
2 SPECIAL MEETING OF THE TAX-EXEMPT CONDUIT
3 TRANSACTIONS COMMITTEE MEMBERS
4 June 8, 2017 at 9:10 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 June 8, 2017, at the hour of 9:00 a.m.,
11 pursuant to notice, at 160 North LaSalle Street, Suite
12 S1000, Chicago, Illinois.
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1 APPEARANCE:
2 COMMITTEE MEMBERS

6-8-17-2 (3).txt

- 3 MR. ROBERT HORNE, Chair
- 4 MR. JAMES J. FUENTES
- 5 MR. MICHAEL W. GOETZ
- 6 MR. LYLE McCOY
- 7 MS. ARLENE JURACEK
- 8 MR. GEORGE OBERNAGEL
- 9 MR. ERIC ANDERBERG, Ex-Offi ci o
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ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

- MR. RICH FRAMPTON, Vi ce-Presi dent
- MS. ELIZABETH WEBER, General Counsel
- MR. CHRISTOPHER B. MEISTER, Executi ve Di rector
- MR. PATRICK EVANS, Agri cul tural Banker (Vi a audi o conference)

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1 CHAIRMAN HORNE: So I would like to call this
2 meeting to order. Will the Assistant Secretary
3 please call the roll?

4 FLETCHER: Certainly. The time is 9:10 a.m.
5 Mr. Fuentes?

6 FUENTES: Here.

7 CHAIRMAN HORNE: Mr. Goetz?
Page 2

8 GOETZ: Here.
9 CHAIRMAN HORNE: Ms. Juracek?
10 JURACEK: Here.
11 CHAIRMAN HORNE: Mr. McCoy?
12 McCOY: Here.
13 CHAIRMAN HORNE: Mr. Obernagel?
14 OBERNAGEL: Here.
15 FLETCHER: Chairman Horne?
16 CHAIRMAN HORNE: Here.
17 FLETCHER: Mr. Anderberg, ex-officio
18 non-voting?
19 ANDERBERG: Here.
20 FLETCHER: Committee Chair, a quorum of Members
21 has been constituted.
22 CHAIRMAN HORNE: Great, thank you. Does anyone
23 wish to make any additions, edits, corrections to
24 the minutes from the May 11, 2017, meeting?
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1 Hearing none, I would like to request a
2 motion approve the minutes.
3 GOETZ: So moved.
4 OBERNAGEL: Second, Mr. Chairman.
5 CHAIRMAN HORNE: All those in favor?
6 (A chorus of ayes.)
7 CHAIRMAN HORNE: Any opposed?
8 (No response.)
9 CHAIRMAN HORNE: The ayes have it, not eyes. I
10 would like to ask for the general consent of Members
11 to consider Project Reports and Resolutions

12 collectively, and to have the subsequent reported
13 vote applied to each respective individual project,
14 unless there are any specific Reports or Resolutions
15 that a Member would like to abstain from.

16 Is there anyone that needs to abstain from
17 any of the deliberations for today's meeting? If he
18 none, I would like to ask the staff to present the
19 project reports.

20 FLETCHER: Patrick?

21 EVANS: Yes. Today we have three beginning
22 farmer bonds. All bonds will have first mortgage
23 positions related to them.

24 The first borrower is Patrick S. Gibson.
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1 He's purchasing 37 acres of bare farm real estate,
2 with additional five acres of plant nursery. The
3 total cost of this purchase is \$268,725 or
4 \$7,128, per acre.

5 The First Mid-Illinois Bank and Trust --
6 excuse me -- will finance 50 percent of the purchase
7 or \$134,363. They will utilize FSA50/50 beginning
8 farmer bonds. As stated, IFA will have a first
9 mortgage position on the property being purchased.

10 FSA will have a second position relating
11 to the 50-percent guarantee. The property is
12 located on the northwest corner of Madison County,
13 and the terms and conditions of this bond is
14 identified in the write-up.

15 The next two bonds relate to two brothers
16 and their wives, who are purchasing property from

17 their parents. It's understood that an appraisal
18 will be completed to -- prior to the closing of
19 these bonds.

20 The first borrower is Adam Philip and
21 Michelle Lynn Walk. They are purchasing 20 acres of
22 bare land real estate. The total cost of this
23 purchase is \$187,000 or \$93,100 per acre. People's
24 State Bank in Newton will finance 50 percent of the
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1 purchase or 935.

2 They will be utilizing the FSA50/50
3 beginning farmer bond. As stated, IFA will have a
4 first mortgage position on 20 acres, and FSA will
5 have a second position related to their 50 percent
6 guarantee.

7 The property is located on the southeast
8 corner of Effingham County. The terms and
9 conditions are identified in the write-up.

10 The final borrower is Seth Robert and
11 Henry Jo Walk. They are purchasing 20 acres of bare
12 land. The total cost of the purchase is \$182,000 or
13 \$9,350 per acre.

14 People's State Bank of Newton will be
15 financing 50 percent of the purchase price for
16 \$93,500. They are utilizing FSA50/50 beginning
17 farmers bond. As stated, the IFA bond will have a
18 first mortgage relating to the 20 acres.

19 FSA will have a second position related to
20 their 50-percent guarantee. The property is located

21 on the southeast corner in Effingham County, and the
22 terms and conditions are identified in the write-up.
23 Thank you.

24 CHAIRMAN HORNE: Thank you. Any questions on
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1 that?

2 If none, do we want to go to the next one,
3 which is I think Rich?

4 FRAMTON: Yes. Tab 2 in the Board book, and
5 item 2 on this agenda, is a one-time Final Bond
6 Resolution. It regards a request by Rosalind
7 Franklin University to issue bonds for what are
8 really two distinct projects.

9 One project is a conventional current
10 refunding by Rosalind Franklin, and Rosalind
11 Franklin will be the obligor on that refunding. The
12 not-to-exceed amount is \$80,000,000.

13 Just in terms of the sources and uses of
14 the funds for the refunding, those are identified on
15 the second page of the Board Report. It's the first
16 sources and uses table.

17 And based on their estimates, as of two
18 weeks ago, the not-to-exceed amount for -- the
19 combined not-to-exceed amount for the refunding
20 bonds will be \$80,000,000, and it will fund two
21 things.

22 First, it will refund 100 percent of the
23 University's outstanding debt comprised of their
24 Series 2003 and 2012 bonds. Additionally, there is

1 a non-integrated interest rate swap. And since that
2 interest rate swap was executed in 2007 not 2003, it
3 was not integrated at the time of issuance of the
4 2003 deal.

5 Hence, it can only be refinanced on a
6 taxable basis. So in terms of the refunding two
7 series, one tax exempt, just to flip out and refund
8 the existing bonds. On the existing bonds, the
9 final maturity date is 2032.

10 On the new bonds, it will be 30 days -- 30
11 years from the date of issuance. So they will be
12 stretching the maturities out from 2032 to 2048.
13 And later in my presentation, I'll demonstrate how
14 that helps them service debt in connection with the
15 building project.

16 The second project is a building project
17 for a research building on Rosalind Franklin's
18 campus. Although the University will be providing
19 the same unconditional pledge of their unrestricted
20 operating revenues, which is the same revenue base
21 that is being -- that will be servicing the
22 refunding bonds, Rosalind Franklin has elected to
23 finance this new building project as a developer
24 deal. They sent out an RFP, and they contracted

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1 with a nonprofit based in Georgia to develop the
2 property.

3 They are doing that for two reasons: This
4 will be a multi-tenant building. The University will
5 use some of the space. They also contemplate
6 leasing some of it to their research partners,
7 including DePaul and Northern Illinois University,
8 perhaps. Both of those are tax-exempt entities.

9 In addition to that, the University has
10 some commercialization medical technology spin-offs
11 that they may house in the research building.
12 Additionally, they are looking to house for research
13 facilities, pharmaceutical companies and biomedical
14 research firms.

15 So because the research building will be a
16 multi-tenant building, if you look at the second
17 sources and uses table on page 2, you'll see that
18 roughly 65 percent of the bond proceeds will be
19 tax-exempt.

20 So that will be the good-use space by
21 Rosalind Franklin, DePaul, any governmental users,
22 like NIU. The taxable space will be for private
23 companies. So what they're going -- what Rosalind
24 Franklin and Tuft are going to do, they're going to

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1 be condominium -- they'll be turning -- they'll be
2 developing the office building as a multi-unit condo
3 space.

4 So each user will have a dedicated use.
5 And in addition to providing for the private users
6 on the Series 2017D bonds, Tuft and the University
7 are going to be applying, after the bond issue

8 closes, for an allocation of new markets tax
9 credits.

10 What that would end up doing is if you
11 look at the \$15.3 million project, the taxable
12 project fund under the uses of funds, if you
13 multiply that by 39 percent, that gives you the
14 amount of new markets tax credits that will be
15 derived based on conversations with a firm that
16 deals with new markets.

17 They think those credits are worth 90
18 cents on the dollar. In the current market, that
19 may be a little bit high compared to historical
20 norms, but in any case --

21 CHAIRMAN HORNE: That's high.

22 FRAMPTON: Yeah. I mean, I think -- I really
23 think it probably will be more like 65 to 75 --

24 CHAIRMAN HORNE: Yeah.

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1 GOETZ: Yes, it is.

2 FRAMPTON: -- cents on the dollar, particularly
3 given the threat of tax reform --

4 GOETZ: Exactly.

5 FRAMPTON: -- discounting.

6 GOETZ: Where are they getting them from, the
7 new market tax credits? Do you have any idea?

8 FRAMPTON: They are applying to several CBEs.

9 GOETZ: Okay.

10 FRAMPTON: I know they've spoken to Baker
11 Tilly. They are also talking to United Fund

12 Advisors. As you know, my credits are tough to come
13 by.

14 So really what they're doing with this
15 project is, even though this is a-multi-tenant
16 building, Rosalind Franklin is really taking the
17 space as a master lease, and they are pledging their
18 credit up front, as if they have to pay all the debt
19 on the deal, and that's how it's being underwritten.

20 So it's being underwritten as
21 conservatively as possible. The University has
22 applied to S&P and Fitch for ratings. I understand
23 they have the private ratings.

24 My understanding is that both sets of
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1 ratings are investment grade; and, additionally,
2 reflective of the fact that are both -- all four
3 series of bonds will be a general obligation of the
4 University backed by a pledge of the University's
5 unrestricted revenues for all four series of bonds.

6 All four series will have the same
7 investment grade rating from each rating agency.
8 One open question, though, and this just came up in
9 a call earlier in the week, they will have a
10 decision to make as to whether they go public with
11 two ratings or one rating. That will be a decision
12 that they'll be making in the next week.

13 And just so Brad knows, I'll be updating
14 some of the report for the final public posting,
15 just to reflect some of the late-moving parts.

16 So in terms of the financial review, the
Page 10

17 way this deal is being presented as though Rosalind
18 Franklin is -- in fact, they are the obligor on all
19 the four series of bonds.

20 If you look at the proforma debt coverage,
21 that's projected to be 1.32 times based on 2016 cash
22 flows, which would translate into investment grade
23 rating based on the rating agency criteria.

24 GOETZ: 1.32 it would be?

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1 FRAMPTON: Uh-huh.

2 GOETZ: Really?

3 FRAMPTON: Generally, anything over 120 will
4 satisfy the test in this sector.

5 GOETZ: Okay.

6 FRAMPTON: And the University's posted
7 operating surpluses, one reason for their diminished
8 margins in 2016, they deliberately held the line on
9 tuition increases.

10 They had tuition increases to, I believe,
11 1.9 percent, and this will be a net lease. So to
12 the extent there is any space in the building that
13 is taxable, prospectively all that could be,
14 depending on what the taxes assessor says, that will
15 be an obligation of the University to pay.

16 So, in a sense, this is a Rosalind
17 Franklin University financing. They will be
18 obligated to pay all series of bonds. Tuft really
19 is not obligated in any way.

20 They are assigning all their rights under

21 the lease, through a collateral assignment of the
22 rents and leases to the bondholders. So the
23 bondholders will be receiving the University's
24 unconditional pledge of all unrestricted operating

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1 revenues.

2 So, with that, we recommend approval, and
3 I'm ready to take any questions you may have.

4 GOETZ: I see there really is a person named
5 Rosalind Franklin.

6 FRAMPTON: Yes, there is. She had something to
7 do with discovering DNA, I think.

8 GOETZ: Is that right?

9 CHAIRMAN HORNE: It took me about three reads
10 of this.

11 FRAMPTON: It's pretty incomprehensible.

12 CHAIRMAN HORNE: The structure of this deal is
13 really complex for -- and, you know, and adding new
14 markets into that structure. To me, just like why
15 would you go there?

16 GOETZ: Right.

17 CHAIRMAN HORNE: But the underlying, you know,
18 enterprise here is a really sound organization, and
19 they're doing -- so I think it's a very positive,
20 but I think the structure was difficult to digest.

21 FRAMPTON: Yes. And the whole reason, of
22 course, for doing the new markets credits is, if
23 those come to pass, that could create \$5,000,000 to
24 \$6,000,000 of forgivable subordinate debt.

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1 CHAIRMAN HORNE: Right.

2 FRAMPTON: So that will help de-leverage the
3 project in seven years down the road.

4 GOETZ: So it's got to be on an qualified
5 census track?

6 FRAMPTON: Yes. And North Chicago most
7 certainly is.

8 CHAIRMAN HORNE: North Chicago, yes.

9 GOETZ: Okay.

10 CHAIRMAN HORNE: Any other questions? If none,
11 Brad, do you want to take on item No. 3?

12 FLETCHER: Yes, 60 seconds or less. Tab 3 is
13 Erikson Institute, which in 2007 issued
14 \$32.5 million of variable rate debt, seven-day
15 floaters, if you will, maturities resetting every
16 seven days. Currently, they were secured by a
17 letter of credit issued by Bank of America.

18 As this Committee and this Board has seen,
19 time and time again, they are going to seek to enter
20 into a bank direct purchase structure. The two
21 banks here that will purchase the outstanding debt
22 are Northern Trust, which will purchase \$20,000,000;
23 and First Midwest Bank, which will purchase
24 approximately \$10.86 million, just under

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1 \$11,000,000.

2 The initial term for both banks will be

3 five years to hold the outstanding debt on their own
4 portfolios. With respect to the terms and
5 conditions, both banks are offering a variable rate
6 of interest based on Libor, and both series of bonds
7 are scheduled to mature in November 2042.

8 Each series of bonds are being issued as
9 bullet bonds, that is to say principal repayment
10 will occur at maturity. So this Committee is aware,
11 when we get to our Board meeting, there's a
12 superseding resolution that is being provided in
13 your manila folders, which is what you're voting on.

14 The difference between what's in the Board
15 book and what's in the manila folders, there was a
16 scrivener's error by bond counsel on the TEFRA
17 notice. So we're going to re-TEFRA this project,
18 which is where they have a public hearing for the
19 Federal Tax Code.

20 So the difference in resolution just says
21 we may have another TEFRA hearing. So it's really
22 not material for your approval, but I did need to
23 point that out.

24 As is customary, because this is a letter
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1 of credit secured debt entering into a bank direct
2 purchase structure, we are discounting our fee. As
3 currently estimated, that fee would be approximately
4 \$52,000.

5 Is there any questions? Thank you.

6 CHAIRMAN HORNE: No. I would like to request a
7 motion to pass and adopt the following Project

8 Reports and Resolutions: Items 1A, 1B, 1C, 2 and 3.
9 Is there such a motion?
10 GOETZ: So moved.
11 FUENTES: Second.
12 CHAIRMAN HORNE: Will the Assistant Secretary
13 please take the roll?
14 FLETCHER: Sure. On the motion, I will call
15 the roll. Mr. Fuentes?
16 FUENTES: Yes.
17 FLETCHER: Mr. Goetz?
18 GOETZ: Yes.
19 FLETCHER: Ms. Juracek?
20 JURACEK: Yes.
21 FLETCHER: Mr. McCoy?
22 McCOY: Yes.
23 FLETCHER: Mr. Obernagel?
24 OBERNAGEL: Yes.
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1 FLETCHER: And Chair Horne?
2 CHAIRMAN HORNE: Yes.
3 FLETCHER: Mr. Chair, the motion carries.
4 CHAIRMAN HORNE: Thank you. Is there any other
5 business before this Committee?
6 Hearing none, is there any comment for
7 this Committee? Hearing none, I would like to
8 request a motion to adjourn.
9 GOETZ: So moved.
10 OBERNAGEL: Second.
11 CHAIRMAN HORNE: All those in favor?

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(A chorus of ayes.)

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CHAIRMAN HORNE: The ayes have it.

FLETCHER: The time is 9:29 a.m.

(WHICH WERE ALL THE PROCEEDINGS HAD AT 9:29 A.M.)

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STATE OF ILLINOIS)
)SS:
COUNTY OF COOK)

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

PAMELA A. MARZULLO
License No. 084-001624

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