

1 ILLINOIS FINANCE AUTHORITY BOARD  
2 TAX-EXEMPT CONDUIT TRANSACTIONS COMMITTEE MEETING  
3 January 13th, 2016 at 4:00 o'clock p.m.  
4  
5  
6

7 Report of Proceedings had at the Meeting of the  
8 Illinois Finance Authority Board of Directors Tax-Exempt  
9 Conduit Transactions Committee Meeting on December 10th,  
10 2016, at the hour of 4:00 o'clock p.m., pursuant to notice,  
11 at 160 North LaSalle Street, Suite S1000, Chicago, Illinois.  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

MARZULLO REPORTING AGENCY (312) 321-9365

♀

1 APPEARANCE:  
2 COMMITTEE MEMBERS

3 MR. ROBERT HORNE, Chair  
 MR. LYLE McCOY  
 4 MR. BRADLEY A. ZELLER  
 MR. ADAM ISRAELOV  
 5 R. ROBERT FUNDERBURG, Ex-Offi ci o (added at 4:50 p.m.)

6

7 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

8 MR. BRAD FLETCHER, Assi stant Vi ce-Presi dent  
 MR. RI CH FRAMPTON, Vi ce-Presi dent  
 9 MS. PAMELA LENANE, Vi ce-Presi dent  
 MS. ELIZABETH WEBER, General Counsel  
 10 MR. CHR I STOPHER B. MEI STER, Executi ve Di rector  
 MS. TAMMY HARTER, Assi stant/Heal thcare  
 11 MR. MASANARI KATSUMI, Legel Extern

12

13

14

15

16

17

18

19

20

21

22

23

24

MARZULLO REPORTING AGENCY (312) 321-9365

♀

3

1 CHAIRMAN HORNE: Brad, do you want to take a  
 2 roll call?

3 FLETCHER: Currently, the time is 4:00 o'clock  
 4 p.m. I'll call the roll. Mr. Horne?

5 CHAIRMAN FUNDERBURG: Here.

6 FLETCHER: Mr. Israelov?

7 ISRAELOV: Here.

8 FLETCHER: Mr. Zeller?  
9 ZELLER: Here.  
10 FLETCHER: Mr. McCoy?  
11 McCOY: Here.  
12 FLETCHER: Mr. Committee Chairman, at this time  
13 we have a quorum.  
14 CHAIRMAN HORNE: Thank you. So I think just,  
15 you know, we've got an agenda, and we'll go through  
16 the agenda as quickly, and then we'll get some  
17 reports on some of the items that are going to be  
18 discussed.  
19 So I think our first item on the agenda is  
20 a review and adoption of the meeting minutes from  
21 December the 10th. Is there any discussion on those  
22 minutes, or does anyone have any changes that would  
23 like to suggest, or can we move to adopt the  
24 minutes? Motion to move?

MARZULLO REPORTING AGENCY (312) 321-9365

♀

4

1 ZELLER: So moved.  
2 CHAIRMAN HORNE: Any second?  
3 McCOY: Second.  
4 FLETCHER: All those in favor?  
5 (A chorus of ayes.)  
6 FLETCHER: Opposed?  
7 (No response.)  
8 FLETCHER: The ayes have it.  
9 CHAIRMAN HORNE: So our next item is  
10 presentation and consideration of -- I think it's  
11 three separate agricultural projects, the beginning

12 farmer bonds.

13 Are we going to -- how do we want to go  
14 through those?

15 FRAMPTON: Can we have Patrick on the line? In  
16 that case, I'll present. We have three beginning  
17 farmer bonds set for the January agenda. All these  
18 are set up as direct bank purchases.

19 These bonds can be issued in amounts of up  
20 to \$520,000 per project or per borrower. This  
21 month, we have three. The first is for Taylor E. G.  
22 Kerner, who is looking to acquire 68 acres of  
23 farmland in Newton.

24 Typically, these beginning farmer bond  
MARZULLO REPORTING AGENCY (312) 321-9365

‡

5

1 financings also include or are also structured with  
2 an element of subordinate that through the U. S. D. A.  
3 Farm Service Agency, that's the case with project  
4 one -- with all three projects, actually, this  
5 month, 1A through 1C.

6 They are all structured 50-percent bank  
7 financing. So that's the extent to which the bank  
8 has risk in the deal as the investor. The rest of  
9 the financing is being provided through subordinate  
10 debt and equity.

11 The purchaser for project A, the Kerner  
12 deal, is the People State Bank of Newton. Project B  
13 is for Bryce Lueke, and project C is for his  
14 brother, Levi Dakota Lueke.

15 Each financing will be in the amount not  
16 to exceed \$79,375. Proceeds will be used by both

17 borrowers to purchase an undivided one-half interest  
18 in 40 acres of farmland. The properties are located  
19 in Hamilton County in Southern Illinois, and the  
20 bank purchaser will be People's National Bank.

21 Any questions?

22 CHAIRMAN HORNE: Just a couple questions. One,  
23 so in -- and again, this is more refreshing for my  
24 sake, but so we're -- are we're taking a second

MARZULLO REPORTING AGENCY (312) 321-9365

†

6

1 position to the bank?

2 FRAMPTON: No, no. The bonds that we issue are  
3 actually a senior tax-exempt bank loan. So that  
4 would be purchased by, in each case, People's State  
5 Bank or People's National Bank.

6 So what we are effectuating is a  
7 tax-exempt senior loan.

8 CHAIRMAN HORNE: Got it. Okay. Okay. And is  
9 there any discussion of the rate on these loans, or  
10 is it -- I just didn't see it.

11 FRAMPTON: Yeah. Well --

12 CHAIRMAN HORNE: They showed it at  
13 three-and-a-quarter fixed.

14 FRAMPTON: Yes.

15 FLETCHER: This is an open meeting, so usually  
16 it's best policy to not be specific about interest  
17 rates just going forward.

18 CHAIRMAN HORNE: Why?

19 FLETCHER: It's just a recommendation. I will  
20 defer to Rich or Chris.

21 MEISTER: Yes.

22 FLETCHER: But we try to avoid being specific.  
23 If anything, if you read the public portion of our  
24 reports, we usually provide a range.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

7

1 CHAIRMAN HORNE: Got it.

2 FLETCHER: Just to maintain confidentiality for  
3 our borrowers, basically.

4 CHAIRMAN HORNE: Okay. Fair enough. Good  
5 comment.

6 FRAMPTON: Where the Authority is on these, we  
7 are not interventionists. We allow the bank and the  
8 borrower to negotiate their best deal.

9 CHAIRMAN HORNE: Got it. Okay.

10 MEISTER: And the tax-exemption then assists  
11 with that.

12 CHAIRMAN HORNE: Sure. Is there any questions  
13 or discussion on these three beginner loans?

14 (No response.)

15 CHAIRMAN HORNE: Okay. So are we -- are we,  
16 for this purpose for this meeting, are we trying to,  
17 as a committee vote, or make a recommendation, or --  
18 I know it's going to be voted on at the larger Board  
19 meeting tomorrow.

20 MEISTER: I would like to -- I think probably  
21 what I would recommend is that we take -- if there  
22 are no questions, we take a vote on each project  
23 immediately afterwards, and I think we can do that  
24 by voice vote.

MARZULLO REPORTING AGENCY (312) 321-9365

1 CHAIRMAN HORNE: At the committee meeting?  
2 MEISTER: At the committee meeting.  
3 CHAIRMAN HORNE: Fine. Okay.  
4 MEISTER: So on the beginning farmer bonds,  
5 before we move this to CenterPoint, perhaps a motion  
6 and second, of course a vote.  
7 CHAIRMAN HORNE: Yes.  
8 ZELLER: Motion to approve.  
9 McCOY: Second.  
10 CHAIRMAN HORNE: All in favor?  
11 (A chorus of ayes.)  
12 FLETCHER: The ayes have it.  
13 CHAIRMAN HORNE: Our second item is  
14 presentation and consideration for CenterPoint  
15 Terminal Railroad Project.  
16 Do you want to present that one, please?  
17 FRAMPTON: Yes. CenterPoint is returning for  
18 consideration of a final bond resolution. The Board  
19 last considered this project in October.  
20 In terms of structure, just as with the  
21 beginning farmer bonds, these bonds will also  
22 ultimately be bank purchased, and they are actually  
23 being bank purchased by members of CenterPoint's  
24 banking syndicate, which is led by Sun Trust.

MARZULLO REPORTING AGENCY (312) 321-9365

1 The perspective purchasers are identified  
2 on page 9 of the report, and at this point, out of

3 the banks that are listed, if you look at under the  
4 professional and financial caption in the left-hand  
5 column, the third item up from the bottom, the bond  
6 purchasers, through syndication, to the best of  
7 their knowledge when they submitted last month where  
8 the banks are listed, at this point it appears that  
9 Suntrust, BB&T, PNC and Regent Bank will be the  
10 purchaser's most likely out of that group.

11 And, basically, what will happen is  
12 \$100,000,000 from CenterPoint's existing credit  
13 facilities will be carved out and reallocated as a  
14 tax-exempt terminal. So to the extent CenterPoint  
15 has draws from these banks on any kind of interim  
16 facilities, those will be converted to permanent  
17 financing through this tax-exempt bond.

18 CHAIRMAN HORNE: Okay.

19 FRAMPTON: In terms of structure, in terms of  
20 parameters, there is a not-to-exceed parameter on  
21 the bonds of 40 years, although the anticipated  
22 final maturity date is December 1st, 2043.

23 That actually is a new fact that has  
24 surfaced since the bond documents were finalized mid

MARZULLO REPORTING AGENCY (312) 321-9365

♀

10

1 last week.

2 In terms of the project, itself, the IFA  
3 Board in 2007 approved an inducement resolution of  
4 up to \$1,137,000,000. With this project, we will  
5 have issued a total of \$325,000,000 towards that  
6 \$1,137,000,000 that could prospectively be issued  
7 over the life of the project.



8                   At this point, the expected remaining  
9 build-out period is through 2025 or so. That's the  
10 best estimate anyway, and we expect to see  
11 CenterPoint returning to the Authority sometime in  
12 2017. Most likely for a follow-on tranche of  
13 \$100,000,000.

14           CHAIRMAN HORNE: So coming back in for a  
15 follow-on?

16           FRAMPTON: Yes. So we will be up to we -- we  
17 expect to be up to \$425 a year from now.

18           ISRAELOV: I had question.

19           FRAMPTON: Sure.

20           ISRAELOV: What's the source of the jobs  
21 numbers that we created as a result of the projects?

22           FRAMPTON: Okay. CenterPoint prepared a very  
23 detailed forecast on this using a proprietary model  
24 that they developed, and these are the same numbers

MARZULLO REPORTING AGENCY (312) 321-9365

♀

11

1 they are reporting to other governmental entities,  
2 and including the Department of Commerce and  
3 Economic Opportunity.

4           So any entity or governmental unit that  
5 has been providing them with any kind of approval  
6 for this Joliet project, they have been reporting  
7 the same numbers, too.

8           And again, over the life of the project,  
9 they are projecting a total of 16,600 just for this  
10 Joliet project. That does not include the adjacent  
11 Elwood project.

12 ISRAELOV: So this is the same numbers -- these  
13 are the same numbers that they are reporting to the  
14 Department of Commerce. Is there any third party  
15 that confirms these projections?

16 FRAMPTON: These are best-effort projections  
17 and forecasts, and CenterPoint prepared these and  
18 believes that in good faith they are reasonable.

19 MEISTER: Just -- and I know this is in the  
20 report, but for the record, I would like for you to  
21 just very briefly highlight the national scope and  
22 impact of this particular project, and why Illinois  
23 and the IFA is a leader in this area.

24 FRAMPTON: Well, these bonds are a result of  
MARZULLO REPORTING AGENCY (312) 321-9365

†

12

1 the 2005 Surface Transportation Act of the U. S.  
2 Department of Transportation. That Act created a  
3 special category of private activity bonds with on a  
4 pilot basis. The USDOT was given a \$15,000,000,000  
5 allocation to finance privatized transportation  
6 projects of various kinds.

7 The types of projects that were specified  
8 in the Act include intermodal facilities,  
9 international bridges and tunnels, as well as other  
10 kinds of surface transportation projects, and those  
11 generally include toll highways, toll bridges and  
12 mass transit where there is some element of  
13 public/private partnership, including private  
14 concession vendor financing; or as in the case of  
15 this intermodal facility, private ownership.

16 So those were created under the 2005

17 Surface Transportation Act, and today the Authority  
18 has been a leader in providing financing for  
19 intermodal facilities.

20 We have approved four projects, and have  
21 had three receive allocations from the U.S.  
22 Department of Transportation; and out of the  
23 \$15,000,000,000 of allocation, at one point in time  
24 Illinois projects had commitments of \$2.3 billion

MARZULLO REPORTING AGENCY (312) 321-9365

†

13

1 out of the 15 nationally.

2 CHAIRMAN HORNE: Wow.

3 FRAMPTON: And out of those four projects, so  
4 far this CenterPoint project in Joliet is the one  
5 and only intermodal project nationally that has been  
6 closed and financed using this special authority by  
7 USDOT.

8 And the way the allocations work, the  
9 borrower, in this case CenterPoint, selected their  
10 issuer. They negotiated with us, but also had a  
11 variety of offers to do it at virtually no cost from  
12 local issuers in the Joliet area, and partly because  
13 of our, number one, our presence in the market, but  
14 also our full-time focus just on issuing bonds.

15 CenterPoint was able to bifurcate their  
16 zoning issues and planning issues from the actual  
17 financing of the project. As many of us know, it's  
18 very easy for local issuers and newspaper reporters  
19 to think that when a company, a private company,  
20 receives tax-exempt financing, they are receiving

21 cash or some kind of grant from the government.

22 And so there are a variety of reasons why  
23 it ultimately made sense for CenterPoint to come  
24 here, but I have to believe it ultimately came down

MARZULLO REPORTING AGENCY (312) 321-9365

♀

14

1 to our ability to provide predictable service, and  
2 Bond Counsel here, Perkins Coie, Bruce Bonjour, has  
3 -- we've worked with him for years and years on many  
4 different things.

5 CHAIRMAN HORNE: So, in total, just so I'm  
6 clear in the numbers, the IFA will have issued,  
7 assuming they do it, is 2017?

8 FRAMPTON: 2017.

9 CHAIRMAN HORNE: So then total the 400 --

10 FRAMPTON: \$425,000,000.

11 CHAIRMAN HORNE: Wow, that is significant.

12 FRAMPTON: We're looking for them to come back  
13 regularly up through the time the project is fully  
14 built out.

15 CHAIRMAN HORNE: Let me ask what is the actual  
16 source of revenue that pays those bonds back?

17 FRAMPTON: It's lifts. It's container lifts at  
18 the project, as well as rentals on temporary  
19 warehousing space at the CenterPoint project.

20 CHAIRMAN HORNE: Okay. So rental income and  
21 lift income?

22 FRAMPTON: That's exactly right.

23 CHAIRMAN HORNE: Okay.

24 FRAMPTON: We are not -- the Authority is not

MARZULLO REPORTING AGENCY (312) 321-9365

1 actually a party to the credit agreement. There's a  
2 separate credit agreement between Center -- between  
3 CenterPoint Joliet Terminal Railroad, LLC, and the  
4 banks; but under that agreement, CenterPoint  
5 Properties Trust is actually providing the guarantee  
6 for the banks.

7 CHAIRMAN HORNE: Guarantee, which is great,  
8 which is backed by CalPERS.

9 FRAMPTON: Actually, I think it's capital  
10 P-E-R-S, too. We will get that to you.

11 So this is -- this is obviously a project  
12 where we're proud of and, you know, I like to think  
13 we've developed a very good and effective working  
14 relationship with CenterPoint; and, you know, look  
15 forward to see them returning next year.

16 CHAIRMAN HORNE: Are there other developers  
17 like CenterPoint that are doing these kinds of  
18 projects that we're in front of?

19 FRAMPTON: Well, we have -- in addition to this  
20 Joliet project, we have also induced -- we approved  
21 a project for \$550,000,000 for Ridge Properties in  
22 2006. This was actually the first transaction that  
23 we had induced.

24 Ridge Properties Trust was affiliated with  
MARZULLO REPORTING AGENCY (312) 321-9365

1 Prudential. It's Jim Martelli, and a second group  
2 we've worked with was the Seneca 180 rail port.

3 They were looking to develop an intermodal facility  
4 in Seneca, which is between Ottawa and Joliet, and  
5 they were looking to establish -- they still are  
6 looking to establish an intermodal for the CSX.

7 CHAIRMAN FUNDERBURG: CSX.

8 FRAMPTON: And also there's also a port  
9 facility there. So they're looking to connect with  
10 Illinois, to the Illinois River at that point.

11 We have been out in front of these as much  
12 as we possibly can, and actually out of the five --  
13 out of the four intermodal projects that have  
14 received allocations from USDOT by submitting joint  
15 issuer borrower applications to USDOT, we have  
16 received three out of the four allocations that have  
17 been awarded to date for intermodal projects.

18 CHAIRMAN HORNE: So is it because of our  
19 relationship with USDOT that somebody like one of  
20 these applicants has better -- because we give  
21 credibility with them to the DOT?

22 FRAMPTON: Back in 2006, after the Act was  
23 approved, we actually went to Washington and met  
24 with USDOT, and the first borrower, Ridge, and from

MARZULLO REPORTING AGENCY (312) 321-9365

♀

17

1 there we established a rapport and working  
2 relationship with USDOT that I believe carried  
3 forward and helped out the subsequent borrower  
4 request.

5 And, ultimately, when the award is made,  
6 the USDOT ultimately makes the award to the project  
7 rather than the to the issuer.

8 CHAIRMAN HORNE: Interesting. I think this is  
9 a great story. I mean, it would seem to me we could  
10 be marketing to developers even out of state, to  
11 attract them to come to Illinois, because we have  
12 really established a track record with USDOT that  
13 could afford them dollars that they might not be  
14 able to secure otherwise.

15 FRAMPTON: In addition to USDOT making the  
16 allocation of bonding Authority, the one other thing  
17 that USDOT does is they award grants for  
18 transportation projects. I cited two within the  
19 report.

20 One was for a highway bridge within the  
21 project to carry truck traffic. The other project  
22 you maybe familiar with, if you have driven past the  
23 Exxon-Mobil refinery --

24 CHAIRMAN HORNE: In Joliet?

MARZULLO REPORTING AGENCY (312) 321-9365

♀

18

1 FRAMPTON: In Joliet. Because of all the  
2 traffic volume, USDOT awarded a grant to improve  
3 that interchange, and it went from a diamond to what  
4 they call a racetrack. So that eliminated traffic  
5 congestion.

6 It also eliminates a lot of idling by  
7 trucks as they -- which were forced to stop to just  
8 go around the corner. And in any case, so in order  
9 to receive an allocation, the projects also have to  
10 receive what's called a Title 23 Transportation  
11 Grant from USDOT. So that's part of it, too.

12 CHAIRMAN HORNE: I think it's a great story for  
13 the IFA, and probably a story that could be told,  
14 more open, you know, but also when we can build more  
15 business around.

16 FRAMPTON: After we wrap up this next one, I'm  
17 submitting it for -- I will be submitting this  
18 project for an annual award.

19 CHAIRMAN HORNE: Fantastic.

20 FRAMPTON: I expect to have a decent shot at  
21 winning.

22 CHAIRMAN HORNE: Okay. Is there anymore  
23 discussion on this that anyone has questions on?

24 (No response.)

MARZULLO REPORTING AGENCY (312) 321-9365

†

19

1 CHAIRMAN HORNE: If not, I'd ask for a motion.

2 ZELLER: So moved.

3 ISRAELOV: Second.

4 CHAIRMAN FUNDERBURG: All in favor?

5 (A chorus of ayes.)

6 CHAIRMAN HORNE: Okay. We have a presentation  
7 and consideration of educational cultural  
8 non-healthcare project University of St. Francis, a  
9 preliminary review.

10 FLETCHER: So University of St. Francis is  
11 requesting your preliminary approval for a  
12 not-to-exceed amount of \$15,000,000. The University  
13 of St. Francis is a private Catholic university out  
14 in Joliet that was founded in 1920.

15 At this time they are looking to  
16 prospectively finance the design and construction of



17 a new science wing, a new science building, if you  
18 will, on the site of what is now a surface parking  
19 lot.

20 The bonds will be issued in two different  
21 tranches. That is another way of saying half will  
22 be purchased by one bank, the other half will be  
23 purchased by another. In this case, the two banks  
24 are Wintrust and PNC.

MARZULLO REPORTING AGENCY (312) 321-9365

†

20

1 While this is preliminary, we expect  
2 that both purchase equal amounts of \$7.5 million.  
3 The overall construction cost is expected to be  
4 \$18.4 million, plus costs of issuance leaves a gap  
5 of \$3.7 million.

6 They have initiated an ongoing -- I should  
7 say initiated a new campaign pledge associated with  
8 the construction of this science building, of which  
9 I can say confidentially they acquired intentions of  
10 various donors to meet that goal, that's listed on  
11 page 1, of \$3.7 million. So they're almost there.

12 So the bonds will not be rated. It's  
13 expected that they will have a maturity of 25 years.  
14 The banks are initially for five years, with  
15 reset provisions thereafter for the interest rate.

16 If you turn to the confidential section on  
17 page 7, because there is no rating here, we provided  
18 financial forecasts. We anticipate that they will  
19 generate sufficient operating cash flows to cover  
20 the proposed debt service going forward.

21 So this is a bear bones what IFA does.  
22 Someone is constructing a facility, a new building.  
23 They qualify under the tax code, because they are a  
24 nonprofit university. We facilitate a lower

MARZULLO REPORTING AGENCY (312) 321-9365

♀

21

1 interest rate. The banks are secured by a mortgage.  
2 So it's kind of cut and dry, but I can take any  
3 questions.

4 ISRAELOV: Do you know who the counsel will be  
5 to the IFA?

6 WEBER: I think we were --

7 FRAMPTON: That's still pending.

8 WEBER: Still pending.

9 FLETCHER: Yes. No one has been officially  
10 engaged. So the business terms of this transaction  
11 while are almost finalized, the bonds documents only  
12 just now begun to be circulated among the group. We  
13 anticipate we will engage someone shortly, in plenty  
14 of time for this transaction to return for your final  
15 consideration.

16 CHAIRMAN HORNE: I'm looking at NOI, the net  
17 operating -- the net income, just showing kind of a  
18 lumpy story. The EBITDA, in terms of --

19 FLETCHER: So the last three years, you could  
20 see it steadily grows as they improved operations to  
21 provide adequate debt service coverage.

22 In 2016, it dips due to the issuance of  
23 these bonds; and thereafter, you can see it steadily  
24 rises again. As long-term debt is paid off, net

MARZULLO REPORTING AGENCY (312) 321-9365

1 assets increase.

2 CHAIRMAN HORNE: I'm actually looking through  
3 the actuals for the prior years. I'm just trying to  
4 understand that.

5 FLETCHER: What year are you referring to?  
6 Sorry.

7 CHAIRMAN HORNE: 2013, 2014, 2015, and the  
8 EBITDA.

9 FLETCHER: Operating net income?

10 CHAIRMAN HORNE: Yes.

11 FLETCHER: I see.

12 CHAIRMAN HORNE: I'm just curious, in terms of  
13 -- I'm trying to understand the financial  
14 performance.

15 FLETCHER: Sure. I would have to get the full  
16 spreadsheets in front of me, but as I recall, their  
17 unrestricted operating revenue are really tied to  
18 their tuition rates.

19 CHAIRMAN HORNE: Okay.

20 FLETCHER: In my first paragraph there, you,  
21 know 94.2 percent I think it is, of unrestricted  
22 operating revenues come from tuition and fees.

23 CHAIRMAN HORNE: Yes.

24 FLETCHER: If you look at the table, they were  
MARZULLO REPORTING AGENCY (312) 321-9365

1 actually losing full-time equivalent students as  
2 they were increasing tuition rates.

3 In 2015, they actually did not raise  
4 tuition rates. They actually dropped tuition rates  
5 roughly by 1.66 percent. That stopped the bleeding,  
6 if you will, and full-time equivalent enrollment  
7 stopped decreasing and began increasing in fiscal  
8 year 2015.

9 We expect it to continue increasing going  
10 forward. As far as earnings, before interest  
11 depreciation and amortization, in 2013, we refunded  
12 essentially all of their outstanding debt. So there  
13 is a play in there that helps, as far as.

14 You know, that's simply a matter of things  
15 coming online, going offline. So to fully answer  
16 your question, I would have to give my full  
17 financials out in front of me.

18 CHAIRMAN HORNE: It's not that -- I'm literally  
19 just trying to understand lumpiness.

20 MEISTER: Well, I think Brad touched on it a  
21 little bit. Just higher education more broadly, a  
22 declining number of 18 year olds attending college,  
23 you also have constrained incomes across the board,  
24 you know, challenging employment environment for

MARZULLO REPORTING AGENCY (312) 321-9365

♀

24

1 people coming out of college.

2 And I think, you know, again, it might be  
3 worth, down the road, for a wider overview of  
4 nonprofit higher education, but I think that --

5 CHAIRMAN HORNE: This seems very solid.

6 MEISTER: Yes.

7 CHAIRMAN HORNE: I'm just commenting more about  
Page 20

8 that kind of phenomenon.

9 MEISTER: Yes.

10 CHAIRMAN HORNE: And the fact that schools have  
11 closed, you know, enrollment does reduce.

12 MEISTER: Yes.

13 CHAIRMAN HORNE: And if our source of repayment  
14 is from revenue from tuition, we've got to be  
15 focused on that as a relevant data point in order to  
16 make good decisions.

17 MEISTER: And I think there is a lot of  
18 information and analysis on this point, and I think  
19 as this Committee, you know, does its work in the  
20 future, it may be worth considering, you know, sort  
21 of a special overview of the sector.

22 CHAIRMAN HORNE: Sure.

23 MEISTER: Because, frankly, while there have  
24 been challenges nationally and nonprofit college and

MARZULLO REPORTING AGENCY (312) 321-9365

♀

25

1 universi ties having challenges nationally, and some  
2 of them even talking about closing, there have not  
3 been a lot of those stories in Illinois to date.

4 Frankly, for those nonprofit higher  
5 education that issued through the IFA, there have  
6 been none.

7 CHAIRMAN HORNE: Yeah. I'm thinking two that  
8 come to mind Barrett College in Lake Forest.

9 MEISTER: Yeah.

10 CHAIRMAN HORNE: Mallinckrodt which was then  
11 purchased by Loyola, which is no longer. You know,

12 things happen.

13 MEISTER: Yes.

14 CHAIRMAN HORNE: And, you know, there was a new  
15 building at Barrett College built, and probably  
16 wasn't through an IFA loan, but it was a new  
17 building built that's no longer, you know. So I  
18 bring it up for that reason.

19 MEISTER: Yeah.

20 McCOY: The library is still there.

21 CHAIRMAN HORNE: The library is still there.  
22 It's the only building there.

23 McCOY: It's the only one.

24 CHAIRMAN HORNE: You're right.

MARZULLO REPORTING AGENCY (312) 321-9365

‡

26

1 FLETCHER: So on page 8, about the sixth line  
2 down, you'll see I delineated the percentages of the  
3 2006 rate increases.

4 Without calling out specifics, you can see  
5 the first in 2013, the tuition rate increase was a  
6 little over 5 percent. In 2014, a little over  
7 9 percent. I think that's contributing to the  
8 variance in which you inquired about.

9 CHAIRMAN HORNE: Yes.

10 FLETCHER: And then in 2015, you can see  
11 operating net income restricted, and that's again  
12 correlated to, as I previously stated, they wanted  
13 to stop the bleeding of losing full-time equivalent  
14 enrollment and they actually decreased the rate.

15 CHAIRMAN HORNE: Thank you. Is there any other  
16 questions on this? Can I have motion? This is a

17 preliminary, correct?

18 MEISTER: Yes.

19 FLETCHER: Correct.

20 MEISTER: We would like to have a motion and a  
21 second.

22 McCOY: So moved.

23 ISRAELOV: Second.

24 CHAIRMAN HORNE: All in favor?

MARZULLO REPORTING AGENCY (312) 321-9365

‡

27

1 (A chorus of ayes.)

2 CHAIRMAN HORNE: Okay. Is this our last one,  
3 then, Christian Homes?

4 LENANE: Christian Homes?

5 CHAIRMAN HORNE: Yes.

6 LENANE: Christian Homes is seeking a approval  
7 to for up to \$39,000,000 in financing to refund the  
8 Illinois Finance Authority 2007A revenue bonds,  
9 refund all or a portion of all of the outstanding  
10 principal amount of the City of Crown Point,  
11 Indiana, Economic Development Revenue Bond Series  
12 2000D, and refund the callable portion of the  
13 Illinois Finance Authority 2010 bond, and the payoff  
14 the 2015 bank loan in the amount of \$13,000,000,  
15 \$3,000,000 of which was spent on an Indiana  
16 facility.

17 You'll see where these finances are both  
18 in Illinois and Indiana, thereby using our  
19 multi-state powers to finance projects in Indiana.

20 Christian Homes was founded in 1962 in

21 Lincoln, Illinois. The obligated group is a  
22 multi-facility system. They have 12 communities,  
23 approximately 1,474 skilled nursing beds, 261  
24 assisted living apartments, and 383 independent

MARZULLO REPORTING AGENCY (312) 321-9365

♀

28

1 living apartments located at senior communities in  
2 Illinois, Indiana, Iowa and Missouri.

3 Now, if you go over to -- just glance at  
4 page 3, there is a list of all their obligated  
5 group, and their homes, and there is sort of a  
6 different mix. They are not all three-tier CCRCs.  
7 You know, some have independent living and skilled  
8 nursing. Some have -- yeah, mostly skilled nursing  
9 and independent living. That's sort of the model,  
10 but these are all out in the country, so to speak.

11 ZELLER: A lot of small downstate towns there.

12 LENANE: Yes. So the bonds will be sold by  
13 Ziegler through a public offering. The borrower is  
14 pursuing a rating from Fitch Rating Service.

15 They expect the rating to be delivered at  
16 the time of printing, and they are going to the  
17 rating agency sometime in two weeks. They currently  
18 have a triple B minus rating that Fitch reaffirmed  
19 in June of 2015, and so they expect they'll get that  
20 affirmed for this bond issue.

21 The uses of the bonds are the refunding of  
22 the bond issues I mentioned, a bank payoff of a bank  
23 loan. They have to set up a debt service reserve  
24 fund and the cost of issuance.

MARZULLO REPORTING AGENCY (312) 321-9365



1           If we go over to the Indiana locations are  
2 Brownstone, Crown Point and Winfield. So we're also  
3 refunding bonds that were --

4           ZELLER: In Iowa and Missouri, too?

5           LENANE: No, no, just Indiana.

6           MEISTER: Initially, we thought that it was  
7 going to be also in Iowa and Missouri.

8           MS. LENANE: But it isn't. It's just Indiana.

9           ZELLER: They are just listed here.

10          MEISTER: Yeah, they are listed here.

11          CHAIRMAN HORNE: And they serve up here, yeah.

12          MS. LENANE: Which one are you on?

13          CHAIRMAN HORNE: Page 5.

14          MS. LENANE: Oh, yeah, but that's the obligated  
15 group in the service area. We're not doing all of  
16 those bonds. That's just to give you the obligated  
17 group and show what their service area is for  
18 Christian Homes.

19          CHAIRMAN HORNE: I see.

20          LENANE: Yeah.

21          CHAIRMAN HORNE: You mentioned the term  
22 multi-state. So our Authority has an ability to  
23 jump borders; is that right?

24          LENANE: Yes.

MARZULLO REPORTING AGENCY (312) 321-9365

1           CHAIRMAN HORNE: Is it only if an applicant has  
2 business in Illinois?

3           LENANE:   Ri ght.  
4           CHAI RMAN HORNE:   But has busi ness i n mul ti ple  
5 states?  
6           LENANE:   Ri ght.  
7           CHAI RMAN HORNE:   Do they have to abut Illi nois?  
8           LENANE:   No.  
9           CHAI RMAN HORNE:   Okay.  
10          LENANE:   You j ust have to have a site i n  
11 Illi nois, and then they coul d have a project i n  
12 Boston, Massachusetts.  
13          CHAI RMAN HORNE:   Okay.  
14          LENANE:   And we coul d do that.  
15          CHAI RMAN HORNE:   Does i t have to be a maj ori ty  
16 i n Illi nois?  
17          LENANE:   Well, at least Bond Counsel has sai d  
18 at least 5 percent has to be bei ng spent i n  
19 Illi nois.  
20          MEI STER:   We also have separate, from volume  
21 cap, and Ri ch gave good exampl e of the U. S.  
22 Department of Transportati on cap, we' ll have an  
23 opportuni ty wi th the resoluti on later on i n the  
24 agenda to talk about volume cap that comes from U. S.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

31

1 Treasury to the State of Illi nois, and ultimately  
2 down to the IFA for private for profi t borrowers.  
3           But under Illi nois State Law, we have a  
4 series of statutory caps, and when the mul ti -state  
5 authori ty was passed, I researched back i n 2010, we  
6 have, I thi nk, no more than a billi on doll ars worth  
7 of bonds i n other states, i n states other than

8 Illinois.

9 So at this point, we are nowhere close to  
10 that, but that just gives you an idea of the various  
11 statutory caps.

12 CHAIRMAN HORNE: Got it. Okay.

13 LENANE: And Christian Homes was also looking  
14 at the Public Finance Authority that's located in  
15 Wisconsin.

16 CHAIRMAN HORNE: Right.

17 LENANE: And as Chris explained to you how they  
18 have jurisdiction to issue bonds all over the United  
19 States.

20 MEISTER: Purported.

21 LENANE: Purported. There are people giving  
22 Bond Counsel opinion when they issue bonds. They  
23 are located in Wisconsin, but if they issue bonds --  
24 like, they issued bonds in Illinois, and they got a  
MARZULLO REPORTING AGENCY (312) 321-9365

♀

32

1 Bond Counsel saying that they had authority to do  
2 that.

3 Now, most bond lawyers would say they  
4 don't, unless they have something located in the  
5 state where their business is.

6 CHAIRMAN HORNE: Right.

7 LENANE: They can't do it. But there's always  
8 a bond -- you can shop a bond opinion.

9 MEISTER: And before we go into this too much,  
10 I mean, it is an open session.

11 CHAIRMAN HORNE: Understood.

12 FRAMPTON: Pam, do you retract that comment?

13 LENANE: No. Now let's go look at the  
14 financials. The financials are pretty strong. Now,  
15 you know, when we're looking the CCRCs and skilled  
16 nursing, you know, the ratios are going to come way  
17 down, and the day's cash on hand, they're going to  
18 come way down. They're not like hospitals at all.

19 So you'll see the debt service coverage in  
20 2013 is 1.73; 2014, 1.55; and 2015, 2.21, and  
21 their day's cash on hand is improving. Those are  
22 about the ratios you're going to see in CCRCs,  
23 because they just -- skilled nursing homes are  
24 really, really hard to operate.

MARZULLO REPORTING AGENCY (312) 321-9365

‡

33

1 They don't make money. They don't make  
2 money.

3 ISRAELOV: And what was the reason, sorry, for  
4 the dip in, let's see, in the current ratio between  
5 fiscal year 2013 and 2014, and then --

6 LENANE: '13 to '14?

7 ISRAELOV: Yeah.

8 CHAIRMAN HORNE: What page are you on?

9 ISRAELOV: Let's see, page 6.

10 CHAIRMAN FUNDERBURG: Okay.

11 ISRAELOV: So the current ratio went from 1.36  
12 to 1.06; and now in fiscal year 2015, it's back at  
13 1.69.

14 LENANE: I think part of that was -- it wasn't  
15 because they sold Bridgeway Homes.

16 FRAMPTON: Maybe because current -- something

17 like current portion long-term debt went down,  
18 because if you look at the debt coverage in 2014 --  
19 LENANE: I think you're right. They sold --  
20 FRAMPTON: It improved considerably in '15, and  
21 when they de-leveraged, their current portion of  
22 long-term debt would have gone down from.  
23 LENANE: I think when they sold --  
24 FLETCHER: From 6-30-14 to 6-30-15.  
MARZULLO REPORTING AGENCY (312) 321-9365

‡

34

1 LENANE: -- Bridgeway Christian Village, and  
2 they would be at \$21,000,000 debt on bond.  
3 CHAIRMAN HORNE: I see a big drop in long-term  
4 -- in liabilities there.  
5 LENANE: The fee is \$21,000,000 in tax-exempt  
6 bonds. And they also had lower ancillary costs as a  
7 result of decreases in the Medicare sense.  
8 CHAIRMAN HORNE: I was going to ask that  
9 question. How reliant are these operators on  
10 Medicare?  
11 LENANE: Yeah, totally, Medicare, Medicaid.  
12 CHAIRMAN HORNE: Remind me which one is the  
13 state payment? Which one comes from the state?  
14 LENANE: Medicaid.  
15 CHAIRMAN HORNE: Medicaid?  
16 LENANE: Medicaid. And Medicare comes from the  
17 fed, along with your Social Security. And Medicare,  
18 if I remember correctly, doesn't pay a long-term  
19 stay in the nursing home. I think it's 90 days  
20 maybe.

21 WEBER: I think it's 100.

22 LENANE: 120. 120, 90 to 120, but if you go  
23 into a nursing home to live a long time, it becomes  
24 very costly.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

35

1 CHAIRMAN HORNE: I'm just curious. I serve on  
2 a hospital board, but it's a lot of funding from  
3 Medicaid and the State, and so we've -- you know,  
4 we've always said we had a -- we're very behind on  
5 payments from the State, as I'm sure everybody is.  
6 Right?

7 How is that affecting some of these kinds  
8 of operators?

9 LENANE: Well, they get paid. They do get  
10 paid, and I think you're on the Children's Board.

11 CHAIRMAN HORNE: Yes.

12 LENANE: They shouldn't be behind because there  
13 are certain hospitals, critical access hospitals,  
14 children's hospitals, they get paid their Medicaid  
15 first. So I'm surprised they are behind on their  
16 Medicaid.

17 Other people, Advocate, OSF, Rush,  
18 Northwestern, they can wait 12 months to get their  
19 Medicaid money.

20 CHAIRMAN HORNE: Yeah.

21 LENANE: Because the State feels they got  
22 plenty of money. They have investment portfolios,  
23 and they can weather the storm, and eventually they  
24 get the money.

MARZULLO REPORTING AGENCY (312) 321-9365

1 CHAIRMAN HORNE: Eventually. I just was  
2 curious how that would affect operators like this.  
3 LENANE: It does.  
4 CHAIRMAN HORNE: You're saying -- okay.  
5 LENANE: It does, but I think the State is  
6 sensitive to the fact that these are homes that are  
7 located in the southern part of the State, and  
8 there's nowhere else for these people to go.  
9 CHAIRMAN HORNE: Sure. I mean, I think their  
10 mission is great.  
11 LENANE: Yeah.  
12 CHAIRMAN HORNE: I'm just more curious  
13 operationally how they are dealing with the stress  
14 that a lot of people are dealing with that are being  
15 paid by State.  
16 LENANE: Right. Well, you know, they have  
17 associations that lobby in Springfield to get the  
18 money. They run very tight operations. They don't  
19 pay people a lot --  
20 CHAIRMAN HORNE: Yeah.  
21 LENANE: -- by and large. And I'm sure they  
22 pay them even less in these towns than they would --  
23 CHAIRMAN HORNE: Sure.  
24 LENANE: -- like in Elmhurst or somewhere.  
MARZULLO REPORTING AGENCY (312) 321-9365

1 CHAIRMAN HORNE: Right. Okay.  
2 LENANE: This will come back for a final next

3 month.

4 CHAIRMAN HORNE: Yeah. I was going to ask next  
5 month.

6 LENANE: Next month. And hopefully they  
7 will -- they will have their rating affirmed by that  
8 time.

9 CHAIRMAN HORNE: Okay.

10 FRAMPTON: Fitch.

11 LENANE: And that's -- Fitch doesn't rate many  
12 CCRCs. So that's really a sign of approval, and  
13 because of the concerns that you expressed, you  
14 know, the lack of -- you know, slowness in Medicaid.  
15 Payments, Medicare doesn't really cover expenses in  
16 a nursing home.

17 CHAIRMAN HORNE: Right.

18 LENANE: And that's why, you know, you have to  
19 really run a lean, mean machine, a good machine, in  
20 order to get a rating.

21 CHAIRMAN HORNE: Yeah. I'm not that familiar  
22 with that. So that's good for me to know.

23 McCOY: The underwriter knows the sector very  
24 well, too.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

38

1 LENANE: Oh, absolutely.

2 CHAIRMAN HORNE: Any questions?

3 (No response.)

4 ZELLER: Motion to approve.

5 McCOY: Second.

6 CHAIRMAN HORNE: All in favor?

7 (A chorus of ayes.)



8 CHAIRMAN HORNE: Okay. We have a few  
9 resolutions to consider. Presentation and  
10 Consideration of Resolution Authorizing and  
11 Approving the Execution and Delivery of an Amendment  
12 to the Bond and Loan Agreement dated as of May 1st,  
13 2006, under which the Bonds were issued and sold to  
14 First Midwest Bank, and Approving the Execution of  
15 Certain Other Agreements Relating to the Issuance of  
16 the bonds, and then it says "and related matters,"  
17 "(Baker demonstration Scope School project.)"

18 FLETCHER: IFA issued its Series 2006 bonds and  
19 behalf of Baker for costs associated with their  
20 relocation and rehabilitation of the Wilmett campus.

21 The bonds again issued in 2006 remain  
22 outstanding. It was a direct purchase structure  
23 with First Midwest Bank. The borrower and the bank  
24 agreed to modify the interest rate and to reset it

MARZULLO REPORTING AGENCY (312) 321-9365

♀

39

1 going forward.

2 So we are being asked just a technical  
3 amendment to approve that change that the bank has  
4 already agreed to.

5 CHAIRMAN HORNE: Okay.

6 FLETCHER: There's no extension of the  
7 weighted-average maturity here. So we don't take a  
8 fee. We're just simply approving the bank's  
9 interest rate reset.

10 CHAIRMAN HORNE: Got it.

11 FLETCHER: We consider it as kind of a

12 technical amendment, just not simply putting the  
13 bond in the drawer and forgetting about it. This is  
14 us providing continuous service over the life of the  
15 of a bond.

16 MEISTER: Can I have a motion?

17 CHAIRMAN HORNE: I ask for a motion.

18 ZELLER: So moved.

19 ISRAELOV: Second.

20 CHAIRMAN HORNE: All in favor?

21 (A chorus of ayes.)

22 FLETCHER: Who seconded?

23 ISRAELOV: I did.

24 CHAIRMAN HORNE: Just kind of moving on. We've  
MARZULLO REPORTING AGENCY (312) 321-9365

‡

40

1 got a Resolution Authorizing and Approving the  
2 Execution and Delivery of an Amendment to the Bond  
3 and Loan Agreement dated as of December 1, 2010,  
4 under which the Bonds were Issued and Sold to First  
5 Midwest Bank, and Approving the Execution of Certain  
6 Other Agreements Related to the Issuance of the  
7 Bonds and Related Matters (Mayo Properties LLC  
8 Project.)

9 FLETCHER: So Mayo Properties LLC is a special  
10 purpose LLC created by Moran Transportation Company.  
11 We issued our Series 2010 bond for its trucking  
12 terminal out in Elk Grove.

13 At this time, the bank and the borrower  
14 have agreed to modify the borrower's and again reset  
15 the interest rate. The difference here is in  
16 addition to that, they are extending the

17 weighted-average maturity.

18           So because of that, we are charging an  
19 administrative \$5,000 fee based on the outstanding  
20 borrower amount. Again this is another First  
21 Midwest Bank deal. We are simply being asked to  
22 approve the bank changes. This is us providing  
23 customer service.

24           Because they are extending the  
            MARZULLO REPORTING AGENCY (312) 321-9365

‡

41

1 weighted-average mature of the outstanding debt,  
2 there are certain actions IFA has to take, including  
3 holding a TEFRA hearing in Springfield, working with  
4 the Governor's Office to receive a perfunctory  
5 approval letter; and because of those additional  
6 actions that we must take, we charge a \$5,000 fee.

7           CHAIRMAN HORNE: Okay. Can you say how long  
8 the maturity is extended out?

9           FLETCHER: It's not so much the maturity date  
10 is being kicked out, it's because the more --

11           FRAMPTON: They are deferring some of the  
12 amortization.

13           FLETCHER: Right. Principal payments are  
14 being --

15           CHAIRMAN HORNE: Funded.

16           FLETCHER: Yeah.

17           CHAIRMAN FUNDERBURG: Got it.

18           FLETCHER: Does that answer your question?

19           CHAIRMAN HORNE: Yeah, it does. Do I have a  
20 motion to approve this resolution?

21 McCOY: So moved.  
22 ISRAELOV: Second.  
23 CHAIRMAN HORNE: All in favor?  
24 (A chorus of ayes.)  
MARZULLO REPORTING AGENCY (312) 321-9365

♀

42

1 CHAIRMAN HORNE: Okay.  
2 FLETCHER: I would like to note the arrival of  
3 Chairman Funderburg as Ex-Offi cio to the Commi ttee  
4 at the time of 4:50 p.m.  
5 LENANE: Di rector Mei ster?  
6 MEI STER: Yes.  
7 LENANE: I have two addi ti ons.  
8 MEI STER: Yes.  
9 LENANE: To my Christi an Homes.  
10 MEI STER: Proceed.  
11 LENANE: One, a lot of these senior living take  
12 out bank lines of credit, and then they draw down on  
13 them to make up for not getting paid Medi cai d.  
14 Also, without a budget, I don't know that  
15 they get paid anything right now. So I'm going to  
16 call Susan McGee, the CFO, and get the exact status  
17 for you.  
18 CHAIRMAN HORNE: That would be great.  
19 LENANE: Because I'm interested, too, in this  
20 current.  
21 CHAIRMAN HORNE: Yea. After the meeting, I'll  
22 share some stories on what I've seen.  
23 LENANE: Okay. Cool.  
24 CHAIRMAN HORNE: Okay. Let's move on to item

1 No. 9, and that is Resolution Authorizing --

2 FLETCHER: Ten.

3 CHAIRMAN HORNE: -- the Execution and Delivery  
4 of a First Amendment to Bond and Loan Agreement  
5 Relating to the Industrial Development Revenue Bond  
6 Anderson-Shumaker Company Project Series 2009 of  
7 IFA.

8 FLETCHER: Item No. 10, just to clarify, is a  
9 proposed resolution to ratify and amend the terms of  
10 the series 2009 bond we issued on behalf of  
11 Anderson. We issued that bond in 2009.

12 MEISTER: We've got it 9 on the agenda.

13 WEBER: On the committee agenda?

14 FLETCHER: On the committee agenda?

15 MEISTER: Yes.

16 FLETCHER: Regardless. For constructing and  
17 equipping their manufacturing facility on west side  
18 of Chicago, 824 South Central Avenue I believe is  
19 the address.

20 MEISTER: You can see it right from the  
21 Eisenhower at the Austin exit.

22 CHAIRMAN HORNE: Is that right?

23 MEISTER: Yes.

24 FLETCHER: So we issued this bond in 2009. The  
MARZULLO REPORTING AGENCY (312) 321-9365

1 bond documents, when they are drafted initially,  
2 have a formula therein for resetting interest rate

3 going forward. It could be five years, seven years,  
4 depending on the transaction.

5 September 30th, 2015, was the interest  
6 reset date. As opposed to following the letter by  
7 the bonds documents, they chose to just simply  
8 extend the interest rate they currently had from the  
9 origination of the deal.

10 So we're being asked to go back, ratify  
11 that as of October 1st through February 28th so  
12 that's a little different than what you see on these  
13 interest rate resets. We're just kind of looking  
14 back instead of going forward.

15 CHAIRMAN HORNE: Right.

16 FLETCHER: But in addition to that, we're also  
17 being asked to provide flexibility to maintain an  
18 interest rate until the end of August. And then at  
19 that time, they will go back to following the letter  
20 of the bonds documents as originally drafted.

21 This is an Associated Bank deal. The bank  
22 has agreed to these changes. Again, we're being  
23 asked to approve the bank's amendments. Any  
24 questions?

MARZULLO REPORTING AGENCY (312) 321-9365

♀

45

1 CHAIRMAN HORNE: Is there any administrative  
2 fee for that?

3 FLETCHER: No fee.

4 CHAIRMAN HORNE: Okay.

5 FLETCHER: Thank you for bringing that up,  
6 because they are not extending the weight-average  
7 maturity here. There is no separate hearing that we

8 have to conduct. No approval required from the  
9 Governor's Office. It's just the technical  
10 amendment. Just the fact that we're voting on it.

11 CHAIRMAN HORNE: Got it. Do I have a motion to  
12 approve?

13 ZELLER: So moved.

14 ISRAELOV: Second.

15 CHAIRMAN HORNE: All in favor?

16 (A chorus of ayes.)

17 CHAIRMAN HORNE: Last item before we talk about  
18 other business is a resolution of intent requesting  
19 an initial allocation of calendar year 2016 private  
20 activity bond volume cap. I'm not sure I know what  
21 that means.

22 FRAMPTON: I'm going to open and explain what  
23 volume cap is. It's complex, but critical for our  
24 business. The concept of volume cap was a result of

MARZULLO REPORTING AGENCY (312) 321-9365

♀

46

1 the Federal Deficit Reduction Act of 1984 in which  
2 the U.S. Congress and administration at that time,  
3 the Reagan administration, were looking to limit the  
4 drain to the U.S. Treasury attributable to municipal  
5 bonds, taxes on municipal bonds, that are issued for  
6 private for-profit businesses.

7 So the whole notion of volume cap was to  
8 put a lid on issuances for private projects; and up  
9 until that time, a lot of industrial revenue bonds  
10 were being issued to two of the biggest users act,  
11 nationally actually were Walmart, which built their

12 initial ring of stores within 400 miles of  
13 Bentonville, Arkansas, with industrial revenue  
14 bonds, and many were used for McDonald's as well.

15 That all changed in the mid '80s. This  
16 volume cap limit was one of the things that Congress  
17 did to put -- to put a limit will on the drain to  
18 the treasury from these types of deals.

19 Beginning in -- the volume cap limits were  
20 further tightened in '86, when the Tax Reform Act of  
21 '86 was approved. At that time there were limits  
22 imposed on other kinds of projects in different  
23 ways, including 501(c)(3) projects.

24 But beginning in 1987, each state, with  
MARZULLO REPORTING AGENCY (312) 321-9365

‡

47

1 the exception of a few small ones, like North and  
2 South Dakota, with small population basis, all  
3 states were able to issue \$50 per capita per year  
4 for these privately-owned projects for -- that use  
5 tax-exempt municipal bonds.

6 Fast forward to 2002, when I was with  
7 IDFA, we worked with our national group the Council  
8 of Development Finance Agencies, to relax that  
9 limit. For 15 years, we were having lots of  
10 challenges in financing manufacturing projects, in  
11 particular.

12 As a matter of fact, volume cap was so  
13 tight, a market developed in Illinois where volume  
14 cap was being purchased and sold. Naperville --

15 CHAIRMAN FUNDERBURG: A secondary market.

16 FRAMPTON: Yeah. Naperville sold their volume  
Page 40



17 cap one year to a multi-family housing developer for  
18 2 points, for 2 percentage points. That was -- I  
19 think that was 2002 or '03.

20 So it wasn't that long ago that volume cap  
21 was very tight, and it was problematic; and for a  
22 lot of manufacturing companies, we worked with, many  
23 of them had to bridge conventional financing for a  
24 year or more before they could get volume cap from

MARZULLO REPORTING AGENCY (312) 321-9365

†

48

1 us to issue bonds.

2 We actually actively went out to  
3 municipalities to work out an arrangement to obtain  
4 additional allocation. All those headaches went  
5 away, as a result of legislation that we worked with  
6 our National Council of Development Finance agencies  
7 to revise in 2002.

8 As a result of that, the annual  
9 allocations have gone from \$50 per capita to \$100  
10 index for inflation; and as a result, we haven't had  
11 -- we really haven't had issues with having any  
12 volume cap shortages for several years.

13 So that's some background on volume cap  
14 allocation. Here at the Authority, we use it on  
15 industrial development bonds projects, beginning  
16 farmer bond projects, private water utilities, solid  
17 waste disposal and gas utilities.

18 We can also issue bonds for People's  
19 Northshore Gas Company, but -- oh, yeah, and then as  
20 of in 2015, we issued our first student loan using

21 allocation, too.

22           What's different for us we have the only  
23 two categories of bonds, industrial revenue bonds  
24 and beginning farmer bonds, that aren't allowed to

MARZULLO REPORTING AGENCY (312) 321-9365

♀

49

1 take this calendar year allocation and use it in a  
2 future year.

3           So we need -- we have to make sure we have  
4 sufficient allocation to fund all of our projects in  
5 a calendar year. So that's where our request for --  
6 that's why we're requesting up to \$100,000,000 of  
7 allocation from the Governor's Office of management  
8 and budget to finance our industrial revenue bond  
9 and beginning farmer bond projects.

10           In most recent years, we've been issuing  
11 anywhere from \$20 to \$30,000,000 for industrial  
12 revenue bond projects and \$7 to \$15,000,000 or so  
13 for beginning farmer bond projects.

14           What has gone unused, we've carried form  
15 forward, and we have been using for student loan  
16 bonds, and we also have some perspective solid waste  
17 disposal deals on the horizon.

18           So this resolution of intent is required  
19 under procedures set forth by the Office of  
20 Management and Budget. With approval and  
21 consideration of this, we'll submit our request and  
22 I think in each of the last five years, we have  
23 received what we have requested; and accordingly, we  
24 seek your approval.

1 CHAIRMAN HORNE: A couple questions. So it  
2 sounds -- well, one was industrial revenue bonds. I  
3 remember talking in a prior Board meeting is like a  
4 keep of -- what is it? How much is it, \$10,000,000?

5 MEISTER: \$10,000,000.

6 CHAIRMAN HORNE: \$10,000,000.

7 MEISTER: \$10,000,000 of the federal tax cut  
8 per company. It's a per project cap.

9 CHAIRMAN HORNE: Per project \$10,000,000. And  
10 then the second question is, so it's \$100,000,000.  
11 So if we're not using the \$100,000,000, is there  
12 carryover in this?

13 MEISTER: We list our current, quote-unquote,  
14 balance from carryforward for the past years.

15 FRAMPTON: It's \$250,000,000.

16 FLETCHER: Approximately.

17 CHAIRMAN HORNE: Approximately?

18 FRAMPTON: In rough terms.

19 CHAIRMAN HORNE: And this would be added to  
20 that number of the 350 if this is approved?

21 FRAMPTON: That's correct.

22 CHAIRMAN HORNE: Okay.

23 FRAMPTON: Which should be sufficient to handle  
24 any -- virtually any project that comes our way.

MARZULLO REPORTING AGENCY (312) 321-9365

1 CHAIRMAN HORNE: Right.

2 FLETCHER: For the industrial revenue Bond

3 borrowers and beginning farmer bond borrowers, you  
4 can't use volume cap and carry forward from a year  
5 prior. You have to use current year volume cap.

6 CHAIRMAN HORNE: You can for these other uses?

7 FRAMPTON: Right.

8 CHAIRMAN HORNE: Can you explain more on the  
9 student loan bonds? I'm not familiar with where  
10 that fits in?

11 FRAMPTON: Sure. Student loans and beginning  
12 farmer bonds are really a consumer loan. In, I  
13 think it was April, we issued \$15,000,000 of student  
14 loan bonds for the Midwestern University Foundation.

15 They, in turn, make loans to graduate and  
16 professional students in osteopathy, their dental  
17 schools students. They have a school of optometry  
18 as well. So these are all graduate and professional  
19 students.

20 The reason it makes sense for the student,  
21 these replace federal grant plus loans, which most  
22 recently bore a rate of something like 7.21 percent,  
23 and this undercuts it by at least 2 points.

24 CHAIRMAN HORNE: Wow, okay.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

52

1 FRAMPTON: So we happen to think this is also  
2 another prospective sweet spot for the Authority to  
3 market over the next year or two, and now that we  
4 have one successful deal under our belt, we can --  
5 we plan to -- we've already discussed with  
6 Northwestern, but we're willing to discuss this with  
7 some of the other institutions that have

8 professional and graduate school students.

9 MEISTER: Bob, this closed in March of '14  
10 before the appointment for the Board.

11 FRAMPTON: '15.

12 MEISTER: '15. And it goes back to a very old  
13 1980s era version of the statute that IFA  
14 consolidation got inserted and had not been used  
15 until halfway through 2015, and Rich deserves a  
16 great deal of credit for identifying this, and I  
17 think it is in line.

18 CHAIRMAN HORNE: There's -- again, it's along  
19 the same lines of our conduit?

20 MEISTER: Yes.

21 CHAIRMAN HORNE: This is not -- we're not  
22 taking underwriting risk with that?

23 FRAMPTON: No, not at all. The way it's  
24 structured, Midwestern University Foundation is the  
MARZULLO REPORTING AGENCY (312) 321-9365

♀

53

1 loan-making entity to their students; and basically  
2 the way they structured this, they pledged  
3 \$20,000,000 of existing student loans to secure a  
4 \$15,000,000 bond issue.

5 So all the cash flows from the existing  
6 portfolio, effectively credited to enhance the  
7 existing deal.

8 CHAIRMAN HORNE: Right.

9 FRAMPTON: And the bonds actually were rated  
10 AAA by S&P.

11 CHAIRMAN HORNE: Fantastic.

12 MEISTER: Unfortunately, we're going to lose  
13 our court reporter. She's got another engagement.

14 CHAIRMAN HORNE: I would ask, unless there is  
15 other questions on this, that we have a motion to  
16 approve the resolution for allocation.

17 MCCOY: So moved.

18 ISRAELOV: Second.

19 CHAIRMAN HORNE: All in favor?

20 (A chorus of ayes.)

21 CHAIRMAN HORNE: Is there any other business?

22 (No response.)

23 CHAIRMAN HORNE: Is there any public meant?

24 (No response.)

MARZULLO REPORTING AGENCY (312) 321-9365

‡

54

1 FLETCHER: Do you want to mention the  
2 Vice-Chair?

3 ISRAELOV: I have just one question. It should  
4 only take a few minutes, if that's okay. Since we  
5 have the staff here, I was just curious your as an  
6 newer board member, if you could just walk me  
7 through how we currently market our tax-exempt  
8 bonds, and if there are any opportunities for us to  
9 kind of improve that?

10 LENANE: It's huge.

11 MEISTER: Adam, that's a very large question.

12 LENANE: It's a large question. We would be  
13 happy to sit here, Rich and I, and talk about the  
14 market.

15 MEISTER: And as the committee structure takes  
16 hold, and we move forward, and the work the of

17 Authority Board as a whole, those are policy choices  
18 and directions and investments that I think we're  
19 going to be discussing over the coming weeks and  
20 months.

21 LENANE: We also market differently in each  
22 sector.

23 CHAIRMAN HORNE: That's a great question. And  
24 I think a big question for all of us on the IFA is

MARZULLO REPORTING AGENCY (312) 321-9365

†

55

1 kind of we are learning about these products,  
2 because these are products.

3 LENANE: Right.

4 CHAIRMAN HORNE: How do we help the staff sell  
5 these products? And so, you know, it's an excellent  
6 question, and I think hearing how they do it, and  
7 then coming up with other ideas as to how we, as  
8 Board Members, can brainstorm and expand those  
9 channels, I think is going to be really helpful.

10 MEISTER: There was an additional agenda item.  
11 We had invertedly distributed a prior version of the  
12 agenda. The agenda that was posted includes an  
13 agenda item for the selection of a Vice-Chair of  
14 this Committee.

15 CHAIRMAN HORNE: Right.

16 MEISTER: So we're sort of at a very tight spot  
17 because of where we are with the court reporter. So  
18 we suggest maybe deferring that until next month.

19 CHAIRMAN HORNE: I think that's probably right.  
20 However, I will just say this, I'm not attending

21 tomorrow's meeting.

22 MEISTER: Yes, we understand that.

23 CHAIRMAN HORNE: Okay. So someone can issue a  
24 committee report, or do we give a committee report?

MARZULLO REPORTING AGENCY (312) 321-9365

♀

56

1 I mean, I think all these items that we've  
2 just reviewed are going to be reviewed again at the  
3 full Board meeting. So I'm not sure.

4 I think we can safely say at tomorrow's  
5 meeting, that all these items have been reviewed by  
6 the Conduit Committee and approved, and then but the  
7 same full presentation of each item is going to be  
8 presented to the full Board with this Committee's  
9 approval.

10 MEISTER: Correct. I mean, we do have the  
11 agenda item in a couple minutes. If you want to  
12 designate somebody to give the report on behalf and  
13 then we can defer the Vice-Chair.

14 CHAIRMAN HORNE: You know what, I mean, my  
15 preference would be hold it off for a month so I can  
16 have conversations with the Committee.

17 MEISTER: But to have somebody actually give  
18 the report.

19 CHAIRMAN FUNDERBURG: Can you give that report?

20 MEISTER: Yes, absolutely.

21 CHAIRMAN HORNE: All right. So I'll ask Chris  
22 to give the report. How is that?

23 MEISTER: Perfect. And then did we cover  
24 public comments?

MARZULLO REPORTING AGENCY (312) 321-9365  
Page 48



1 CHAIRMAN HORNE: I asked for public comment.  
 2 MEISTER: Okay, good.  
 3 CHAIRMAN HORNE: And I ask for a motion for  
 4 adjournment.  
 5 ZELLER: So moved.  
 6 McCOY: Second.  
 7 CHAIRMAN HORNE: All in favor?  
 8 (A chorus of ayes.)  
 9 FLETCHER: The time 5:09 p.m.  
 10 (WHICH WERE ALL THE PROCEEDINGS HAD at 5:09 p.m.)  
 11  
 12  
 13  
 14  
 15  
 16  
 17  
 18  
 19  
 20  
 21  
 22  
 23  
 24

MARZULLO REPORTING AGENCY (312) 321-9365

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

3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

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  
meeting.

\_\_\_\_\_  
PAMELA A. MARZULLO  
License No. 084-001624

MARZULLO REPORTING AGENCY (312) 321-9365

♀