

Illinois Finance Authority Fiscal Year 2020 Annual Report Operations and Assets and Liabilities

Message from the Executive Director

On behalf of Chair Will Hobert and the volunteer Members of the Illinois Finance Authority (“Authority”), I am pleased to present the Fiscal Year 2020 (“FY20”) Annual Report of the Authority’s operations and of its assets and liabilities. The Authority Act (20 ILCS 3501/845-50) mandates that the Authority prepare and distribute 'a complete report and financial statement of its operations and of its assets and liabilities.

The Authority is a body politic and corporate created under the laws of the State of Illinois (“State”). The Authority is governed by up to fifteen volunteer Members who are appointed by the Governor with the advice and consent of the State Senate. The Members receive no compensation for the performance of their duties but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of such duties. The Governor directly appoints the Authority Chair. As of June 30, 2020, the Authority had 21 employees who do not participate in the State’s pension or health insurance programs and who are paid with Authority locally held funds, not State tax dollars appropriated by the General Assembly.

In FY20, the Authority issued \$1.8 billion of federally tax-exempt and taxable conduit bonds on behalf of 38 borrowers as permitted under federal and State tax laws that benefit certain eligible non-profit borrowers and for-profit companies.

Long-term debt is incurred to raise the capital necessary to provide financing for projects such as health care facility projects, educational facility projects, housing projects, cultural institution projects, public purpose projects, industrial projects, agricultural projects, commercial property assessed clean energy (“C-PACE”) projects, and environmental facility projects as well as projects to or on behalf of, or in connection with, businesses, local governments and other public borrowers, water systems, senior living facilities, farmers, agribusinesses, student loans and others.

The Authority’s goals are to finance the aforementioned projects in order to (1) promote a vigorous growing economy and avoid involuntary unemployment for Illinois residents; (2) reduce the cost of indebtedness to State taxpayers and residents; and (3) otherwise enhance the quality of life in Illinois by benefiting the health, welfare, safety, trade, commerce, industry and economy of the people of Illinois consistent with its statutory declarations of policy.

We invite you to read the below highlights of a few of the conduit bonds issued in FY20 on behalf of borrowers that not only showcase the investments being made in Illinois but also demonstrate how the Authority is achieving its goals and producing positive outcomes for Illinois residents, taxpayers, and other interested persons.

Conduit Debt – Investing in Illinois

- ***Promote a Growing Economy and Avoid Involuntary Unemployment***
 - **\$150 million issued on behalf of CenterPoint Joliet Terminal Railroad, LLC**, a rail-to-truck and truck-to-rail Intermodal facility located in the City of Joliet. The CenterPoint project has been supported by a special programmatic allocation of federal tax-exempt Private Activity Bond volume cap provided directly to the CenterPoint Intermodal Center – Joliet project provided by the US Department of Transportation. The Authority has played a critical role in bringing this project to reality. The \$150 million financing represents the culmination of nearly fifteen years of effort by the Authority in issuing over \$600 million in five series of conduit bonds for this project. This project was the first of its kind in the nation and is responsible for thousands of permanent construction jobs and represents an economic development project of statewide importance.
 - **\$22 million issued on behalf of North Central College** to construct a new 42,000 square feet Health Sciences Building on its main campus in Naperville. Construction of the new Health Sciences Building is scheduled to be completed by August of 2021. Once completed, the building will house some of the most important health sciences programs the College offers, including a new Masters of Physician Assistant program that will be developed for the first cohort to begin in August 2021 and a new Doctor of Physical Therapy program that will be developed for the first cohort to begin in January 2023.
 - **\$12 million issued on behalf of Roosevelt University** to acquire assets of Robert Morris University to advance their plan for a sustainable future within non-profit higher education in Illinois. Robert Morris University employed approximately 200 full-time faculty and 375 full-time staff.
 - **\$2 million statewide investment in Illinois agriculture through the issuance of Beginner Farmer Bonds** on behalf of eight borrowers collectively purchasing 384 acres of productive agricultural land located in seven Illinois counties (Charleston, Edgar, Effingham, Henry, Macoupin, Warren, Woodford).
- ***Reduce the Cost of Indebtedness to State Taxpayers and Residents***
 - **\$517 million issued on behalf of Northshore University Health System** for the purpose of financing, refinancing or reimbursing all or a portion of the costs of acquiring, constructing, renovating, remodeling, expanding, rehabilitating and equipping certain health facilities owned by Northshore University Health System and Swedish Covenant Health. Northshore University Health System owns four hospitals in Illinois and employs more than 8,000 jobs.
 - **\$61 million issued on behalf of Community High School District Township #99** for the purpose of constructing at Downers Grove South High School a new 1,250-seat auditorium, including a new theatre classroom, studio theatre and scene shop; two new culinary lab classrooms; four new science labs and classrooms; a renovated and centralized administrative center allowing students easy access to counselors, the college and career center, deans, nurse and security staff; a renovated library and technology support areas; installation of ADA-compliant outdoor bleachers and squad rooms; and installation of a second athletic turf field at Downers Grove South High School. The District has an average

enrollment of 4,900 students among its two high schools, and at the start of the 2019-2020 school year, the District employed approximately 700 full-time jobs.

- **\$37 million issued on behalf of Rush University Medical Center Obligated Group** to assist in the modernization and expansion of surgical suites and installing new equipment, among other uses at an acute care hospital located in Aurora, Illinois. Rush University System for Health is an academic health system whose mission is to improve the health of the individuals and diverse communities it serves. The system employs more than 2,000 full time jobs.

- ***Enhance Quality of Life and Benefit the Welfare and Safety of Illinois Residents***
 - **\$21.25 million issued on behalf of The Reserve Hotel** in Chicago to fund energy efficiency and water use improvements in connection with the rehabilitation of the 5 upper floors of 208 S. LaSalle Street. The C-PACE project is the first such project in the State’s history to be funded by the issuance of conduit bonds and will support 200 construction jobs and save an estimated \$3 million in operating expenses over approximately 25 years once construction is complete. The Authority’s C-PACE product is a strong asset class capable of supporting a great deal of economic and sustainable development.
 - **\$50 million issued on behalf of Waste Management, Inc. (“WM”)**, the leading comprehensive waste management environmental service in North America, for the purpose of financing improvements and construction of solid waste facilities, including additions and improvements to methane gas systems to capture , convert and distribute landfill gas. WM works with its residential, commercial, industrial and municipal customers and the communities served to manage and reduce waste at each stage from collection to disposal, while recovering valuable resources and creating clean, renewable energy. The Authority’s long-standing partnership with WM advances environmental quality in Illinois through federally tax-exempt conduit financing. WM’s operations 11 disposal locations, 14 transfer stations, and 15 collection facilities in Illinois; and employs approximately 550 jobs throughout Illinois.
 - **\$28 million issued on behalf of American Water Capital Corp. (“Illinois-American Water Company” or “IAWC”)** as the state’s largest investor-owned provider of water and wastewater services for approximately 1.3 million residents in more than 130 communities. Tax-Exempt Water Furnishing Facilities Revenue Bonds, a category of Exempt Facilities Bonds authorized pursuant to Internal Revenue Code Section 142(a)(4), finance essential purpose drinking water system improvements. The Series 2019 Refunding Bonds issued by the Authority on behalf of IAWC will create savings for rate payers by refinancing its outstanding Series 2010 Bonds. IAWC employs approximately 475 jobs statewide, as well as an additional 400 jobs between the American Water Works Company national call center located in Alton and the national research/testing laboratory located in Belleville.

Other Activities – Working in Concert with State Priorities

- **Reducing the Burden on Local Property Taxpayers and Ensuring Earned Retirement Benefits to First Responders:** The Authority has a statutory role in local pension fund consolidation through SB 1300/P.A. 101- 0610, and the Authority has supported both the newly created Police Officers’ Pension Investment Fund and Firefighters’ Pension Investment Fund in order to help these new entities succeed. Conventionally, pension funds

such as the two newly created funds are funded out of the assets in the related pension portfolios. The two new funds will hold no assets until such assets are transferred in through the transition period ending June 30, 2022. In order for the consolidated police and fire funds to operate in advance of receiving those assets, P.A. 101- 0610 authorized the Authority to lend each fund up to \$7.5 million in operating capital, to be repaid after transference of the pension assets.

- **Sustainable Financing/Addressing Climate Change process (“Climate Process”):** At the February 11, 2020 regular meeting of Authority Members, the Authority inaugurated its Climate Process within the Transformation Initiative. The Climate Process follows the direction of the Governor’s Executive Order No. 2019-06 on climate change as well as builds upon the Authority’s success with respect to the financing of C-PACE projects and the issuance of State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2019 Green Bonds on behalf of the Illinois Environmental Protection Agency (“IEPA”).
- **Financing Illinois’ Water Infrastructure Conference:** On October 9, 2019, the Authority sponsored, in partnership with the American Water Works Association and Bank of Securities, Inc., the *Financing Illinois’s Water Infrastructure Conference* in Chicago. Registrations met the maximum capacity available and was attended by water utilities, local, state and federal officials, consulting engineers and water utility advocates. Director John Kim from the Illinois EPA gave welcoming remarks, and attendees heard directly from water industry speakers from the Chicago Department of Water, the Metropolitan Water Reclamation District of Greater Chicago, and USEPA, to name a few. The conference offered a great opportunity to bring together the water utility industry to facilitate knowledge exchange and sharing of solutions, and for attendees to meet and network with colleagues and public officials.
- **Meeting our Mandates during COVID -19:** While nobody could fully anticipate the magnitude and impact of COVID-19 or predicted the depths of the current economic crisis and the deeply uncertain world we inhabit today, the Authority continues to meet its mandate to support its public mission. The safety of our Members and employees remains our top priority. The Authority continues to monitor the situation and has taken the necessary steps to ensure continued operations in order to fulfill our essential public function. The Authority stands ready to play any requested role permitted within our statutory powers and the limits of our balance sheet.

Assets and Liabilities

On January 7, 2021, the Illinois Auditor General released the Authority’s Financial Audit For the Year Ended June 30, 2020 (<https://www.auditor.illinois.gov/Audit-Reports/Compliance-Agency-List/Finance-Auth/FY20-Finance-Auth-Fin-Full.pdf>) conducted by RSM US LLP, as special Assistant Auditors (“FY20 Financial Audit”). The FY20 Financial Audit contained no Government Accounting Standards (“GAS”) findings. Of note, the Transmittal Letter provides additional information regarding the Authority’s activities in FY20.

Should you have any questions, please do not hesitate to contact me.

Chris Meister, Executive Director, Illinois Finance Authority, June 30, 2021