

September 13, 2011

TO: William A. Brandt, Jr., Chairman
Dr. William Barclay
Gila J. Bronner
Heather D. Parish
Roger E. Poole
Bradley A. Zeller
Hon. Barrett Pedersen

Michael W. Goetz, Vice-Chairman
Edward H. Leonard, Sr.
Terrence M. O'Brien
Jack Durburg
James J. Fuentes
Norman M. Gold

RE: Message from the Executive Director

Dear Members of the Authority:

Uncertainty and stagnation in the national and global economy have continued over the past several weeks. We expect that current economic conditions will continue to negatively impact decisions to incur new debt for capital projects by those organizations and entities eligible for federally tax-exempt conduit financing. What we have seen since July 1 is the refinancing of existing debt driven by historically low interest rates, mergers in the healthcare sector, and the general move in the market to structure bonds with expiring credit facilities as direct bank purchases because many letters of credit are not being renewed or replaced by their issuers. This is unfortunate for the general employment situation because new money borrowings, not refinancing, drive new construction projects which in turn create jobs.

Stronger September following a slow summer

July and August 2011 were unusually slow for closings at the Illinois Finance Authority (IFA) particularly in comparison to these months in 2009 and 2010. The IFA's largest closing this fiscal year was Central DuPage Hospital's (CDH) \$185.6 million refunding after they acquired Delnor Hospital in Geneva that closed in two parts in August. We had two additional closings, both of which were refundings; they were for LEARN Charter School and Transparent Container.

September 2011 promises to be stronger than the summer with respect to closings. More specifically, we anticipate later this month that Advocate will close the large \$215.6 million financing approved by the IFA in July. While a significant share of the Advocate issue will refinance existing debt (only \$12.3 million of the \$215.6 million will refinance existing debt), over \$160 million will fund the construction of a new ambulatory pavilion at Christ Medical Center in Oak Lawn. Furthermore, the refinancing of the Chicago Shakespeare Theater project approved in August will also close in September. Finally, provided that the IFA board this month approves Trinity Health, Chestnut Square at The Glen, and Southern Illinois Healthcare Enterprises, it is anticipated that these projects will close by the end of September.

Pipeline of Potential Activity

Given the slow economy as well as the expiration of Stimulus financing tools at the end of 2010, it is not surprising that activity in the business, industry, higher education and general not-for-profit sector has been slow in the current fiscal year. The comparative downturns in these sectors must be compared with the tremendous dollar volume of borrowings as well as the numerous amount of individual projects that were driven by the now-expired Stimulus tools in the last quarter of calendar year 2010. These now-expired Stimulus tools were responsible for significant increases in financing (and, hence, revenues) in fiscal year 2011. These unanticipated transactions increased revenues over budget by nearly 107 percent. However, a consequence of this extraordinary surge of activity was pushing projects that ordinarily would

have closed at some point in calendar year 2011 into calendar year 2010 due to the incentives provided by the Stimulus tools.

We are hopeful that the interest shown by corporate borrowers in Midwestern Disaster Area Bonds (limited to 18 Illinois counties; expires December 31, 2012) and by local governments in Qualified Energy Conservation Bonds since July 1 will drive additional closing activity over the next several months. Also, we have seen indications that not-for-profit higher education borrowers may have increased interest in tax-exempt bond financing during the first half of fiscal year 2012.

Finally, we continue to partner with Governor Quinn's administration on innovative methods to utilize the IFA's broad statutory authority and resources to promote economic development in our State. Our continued efforts to work with Central Management Services on implementing a Medicaid Vendor Receivable Financing Program, the effort to partner with a variety of State agencies to spur energy efficiency retrofit projects on State buildings (see this month's agenda), and the effort, under Chairman Brandt's leadership, to work with the Governor's Broadband Commission are but three examples of this partnership.

Conclusion

As always, the staff of the IFA looks forward to continuing to work with all of you to fulfill our mission to create and retain jobs.

Respectfully,



Christopher B. Meister

Attachments:

Attachment 1 – General Fund, Financial Results, Consolidated Balance Sheet and Audit Tracking Schedule

Attachment 2 – Schedule of Debt; Fiscal Year 2011 Closed Projects