ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MINUTES
July 19, 2019

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on June 21, 2019 at 111 East Wacker Drive, Chicago, Illinois at 9:00 a.m. Attending the meeting were Mr. King Harris, Mr. Sam Tornatore, Ms. Mary Kane, Ms. Karen Davis, and Ms. Alyssa Rapp for the Members. Also attending the meeting were Mr. Michael Baumrin of RBC, Mr. Bob Foggio of Jefferies, and Ms. Susan Jun of Citi. For the Authority staff, Ms. Audra Hamernik, Ms. Maureen Ohle, Ms. Nandini Natarajan, Mr. Tim Hicks, Ms. Debbie Olsen, Mr. Andrew Nestlehut, Ms. Tracy Grimm, Ms. Christine Moran, and Mr. Tim Veenstra.

Ms. Kane called the meeting to order at 8:58 a.m.

Ms. Kane motioned to approve the June 21, 2019 Finance Committee Meeting minutes as presented.

ONGOING ACTIVITIES

Discussion: Monthly Interim Financial Statements.

Mr. Hicks provided an update on the Authority's Monthly Financial Statements for the period of July 1, 2018 through June 30, 2019. These are unaudited numbers for FY19. Operating Revenues for YTD are $49.4M which is $1.7M favorable to budget and Administrative Reimbursements YTD are $15.2M which is $2.6M unfavorable to budget. Key drivers for the favorability in Operating Revenues is the accounting treatment and budget timing of Origination Fees which is $0.5M ahead of budget and Investment Income of $1.9M. We benefited from the uptick in short term interest rates and holding the investments longer. Key drivers for being unfavorable to Budget for Administrative Reimbursement is the wind down of the HHF Program. The program is $2.9M unfavorable to budget.

Mr. Hicks continued: Operating Expenses for the Admin Fund YTD are $46.2M which is $7.7M favorable to budget while the Operating Expenses for the Government Funds YTD are $15.7M which is $2.8M favorable to budget. For the Admin Fund the key drivers for being favorable to budget are driven by Salaries and Benefits $3.6M, Professional Fees $3.2M, Technology Management $.3M, and Training and Public Relations $.5M. For the Government Funds the favorability is driven by the wind down in HHF. Salaries are favorable $0.4M, Professional Fees mainly related to the Counseling Services for HHF is favorable $1.6M, and Office Administration is favorable $0.4M.

Mr. Hicks continued: Operating Revenues are $5.6M unfavorable to prior year and Administrative Reimbursements are unfavorable to prior year by $1.4M. Unfavorability vs. PY for Operating Revenues is driven by three key factors; the change in Investment Strategy $2.5M, loss of HUD contracts $0.3M, and timing of cash receipts for origination fees $2.4M.

Mr. Hicks concluded: Operating Expenses for the Admin Fund are $4.3M unfavorable to prior year while the Expenses for the Governmental Funds are unfavorable to prior year by $1.3M. For the Admin Fund the key drivers for being unfavorable are Salaries and Benefits $2.2M, Financing Cost $1.9M, Office Administration $0.3M, and Technology Management $0.7M. This is offset by favorability in Professional Fees of $0.8M related to the HHF Counseling fees not being provided.

Discussion: Multifamily Update.

Ms. Moran stated: The QAP is out for public comments and went out July 1st. We're having our public hearing the afternoon. About fifteen people are expected to attend and we'll be accepting comments through the end of the month and will be bringing it to the Board for approval in August. We will be getting in the cycle of PPAs and applications for the balance of the year.

Discussion: Homeownership Mortgage Program Update.

Ms. Grimm stated: Reservations for June 2019 were at 514 first mortgage loans or $70.58 million, 339 or $49.68 million for GNMA and 175 or $20.90 million for Fannie Mae. Prior year reservation comparisons for the month of June 2019 were at $80.09 million, $33.31 for GNMA and $46.78 for Fannie Mae.

Ms. Grimm continued: For June 2019, IHDA Mortgage Statistics consisted of 229 Access Mortgage Loans accounting for 44% or $32.46 million, 277 1stHomeIllinois loans accounting for 54% or $37.48 million, and 8 I-Refi loans accounting for 2% or $0.63 million with a total of 514 loans and $70.58 million. Within the Access Mortgage Program usage is as follows: 4% Forgivable accounted for 68%, 5% Deferred accounted for 15%, and 10% Repayable accounted for 17%. Program percentages were 10% for the Central, 63% for Chicago, 19% for the Northwest, and 8% for the Southern regions respectively.

Ms. Grimm concluded: There are 1,678 loans in the pipeline at a total of $223.76 million. Timing from reservation to approved for purchase is 47 days average, 54 days average from reservation to purchase.

Discussion of Revenue Bonds 2019 Series C.

Mr. Nestlehut stated: The Revenue Bonds 2019 Series C closed at the end of June which is the end of our fiscal year. We want to build the long term wealth so in FY2019 we issued $400 million of single family bonds. This transaction was very successful, it went smoothly. Things to highlight, we did something a little different on the structure this time, we increased the coupons on some of the serial rates and locked them out for a certain term to generate more premium in the transaction. In past deals we usually generate about $2.5-3 million of premium, in this transaction we generated $6 million. The transaction yielded a little under $20 million of future zero. With BondLink, we conducted a marketing effort which led to 140 new users with activity going into the sale.   Mr. Bob Foggio from Jefferies went into further detail of the 2019 Series C bond transaction.

NEW BUSINESS

Resolution Ratifying Permitted Financial Activities.

Mr. Nestlehut stated: This is a recap of the financial activities we've had this quarter. As of June 30, our book value was $1.37 billion, prior quarter was $1.30 billion. Purchases and sales for this quarter were $417 million and $317 million respectively versus last quarter of $594 million and $555 million. This is just timing. A lot of our indentures have payable dates in July and August. Return on Investments for this quarter we were above the weighted average Treasury curve at that time. New issuances revenue bonds were $92.5 million with payouts and draws at $27.9 million. We also had bond debt service of $27.5 million over the course of the quarter.

Board Summary for the Issuance of Multifamily Housing Revenue Note, Series 2019 (Vera Yates).

Mr. Ess stated: IHDA will issue Multifamily Housing Revenue Note, Series 2019 (Vera Yates) to finance the acquisition and rehabilitation of Vera Yates Homes comprised of 36 two-story row house buildings with 116 units located in Ford Heights. The notes will be placed directly with Citibank, N.A. Conduit financing – the Series 2019 Note will be tax-exempt, private placed, and long term. The interest rate on the Note will be variable rate during construction and will convert to a fixed rate after stabilization. Limited obligation - no credit risk to the Authority (No IHDA G.O.)

Mr. Ess continued: The issuance of MHRN Series 2019 (Vera Yates) for an amount not to exceed $18,000,000. The issue will have a final maturity no later than March 1, 2053 with an interest rate not to exceed the lesser of (i) 12% or (ii) the maximum rate permitted under IL law. A projected schedule and list of transaction participants was also shared.

Ms. Kane adjourned the meeting at 9:34 a.m.