

## STATE BUILDING AUTHORITY

A meeting of the State Building Authority (SBA) Board of Trustees was held at the Richard H. Austin Building in the State Treasurers' Board Room, located at 430 West Allegan Street, Lansing, Michigan, at 10:30 a.m., Wednesday, August 16, 2017.

### Board Members Present:

Patrick Devlin  
Stephen D'Arcy (arrived late at 10:35 a.m.)  
Linda Orlans  
Carol Walters  
Dale Zahn

### Authority Staff:

Debbie Roberts, Executive Director  
Carol Schulz, Financial Specialist  
TeAnn Smith, Financial Analyst

### Others Present:

Alan Lambert (Attorney General's Office)  
Banu Colak (Attorney General's Office)  
Kester So (Dickinson Wright PLLC)  
Ian Koffler (Miller Canfield)  
Katrina Desmond (Miller Canfield)  
Ron Liscombe (Miller Canfield)  
Alyson Schafer (R.W. Baird)  
Guy Logan (Citi)  
Lori Schreckengost (Citi)  
Ben Brewer (Department of Treasury)  
Cathy Clark (Department of Treasury)  
Graham Davidson (Department of Treasury)  
Kimberly Hines (Department of Treasury)  
David Boyne (Department of Treasury)  
Julia Chapman (Student Observer)

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Chairperson Devlin called the meeting to order at 10:30 a.m. Mr. Devlin introduced himself and noted that a quorum was present. He invited the new board member, Mr. Dale Zahn, to introduce himself and the other board members briefly shared their background as well. Ms. Roberts introduced the staff and financing team and introductions continued around the room.

Continuing with announcements, Ms. Roberts shared that the Governor had recently signed a new capital outlay bill that included a number of projects that the SBA would be financing in the future.

Mr. Devlin asked if there were any comments from the public. There were none.

The minutes of the May 25, 2016 meeting were reviewed. Ms. Walters moved that the minutes be accepted as written. Ms. Orlans supported the motion, which passed unanimously.

Ms. Roberts reviewed the agenda, which includes a resolution to approve a sub-lease at Northern Michigan University, a resolution approving two construction agreements for projects ready to enter the commercial paper program, two resolutions that approve new projects and documents for the upcoming 2017 bond issue and a resolution that extends the letter of credit associated with the 2007 Multi-Modal and 2011 Variable Rate bonds.

Ms. Schulz reviewed the CP status report and noted that there are currently 5 projects in the CP Program, all of which will be bonded next month. The total CP outstanding amount is \$105,495,000 issued on July 20, 2017, at a rate of .94% with a maturity date of October 5, 2017.

Ms. Alyson Schafer with R.W. Baird gave an overview of the 2016 Revenue and Revenue Refunding, Series I (Facilities Program) bond issue. Ms. Schafer highlighted that the Authority was able to complete the transaction with an all-in TIC of 3.06%; the lowest in SBA's history. Savings of \$152.7 million net present value were achieved. In addition, 11 leases were canceled resulting in savings of \$16.82 million annually. Ms. Schafer also shared that the transaction received over \$2.5 billion in total orders allowing the underwriters to lower the rates by up to 8 basis points (.08%). Mr. Guy Logan with Citi, who also served on the 2016 bond issue, shared that many new investors came forward on the transaction giving the Authority more flexibility with future transactions. Ms. Roberts also added that the Treasurer, Mr. Nick Khori, joined the underwriter and herself on the roadshow, which drew a lot of interest from the investors.

The first resolution presented to the Board is for approval of a sub-lease between Northern Michigan University and DLP Marquette General Hospital, LLC. The Hospital has requested usage of a hospital room and associated space within the West Science Building. Ms. Roberts indicated that the hospital changed ownership and therefore, a new agreement was necessary. Approval of this sub-

lease will not affect the value of the bonded property. Alan Lambert commented that Miller Canfield had supplied an opinion that the sub-lease will not result in revenues in excess of Federal IRS regulations. He stated that the resolution was in order for the Board's consideration. It was moved by Mr. Zahn and supported by Ms. Orlans that the Board approve the Resolution of the State Building Authority Approving a Sub-Lease for Northern Michigan University West Science Building Remodeling (Phase II). There was a unanimous vote in favor of the resolution.

The second resolution presented to the Board is to allow for approval of construction agreements, conveyances of property, leases and easement agreements, if necessary, for two projects to enter the CP Program. Ms. Roberts pointed out the State Capitol project is much further ahead than a typical construction project as it has been in the works for a quite some time and was simply waiting for the Legislature to approve the funding. Because it is a state office building, reimbursement can start right away as there is no matching share. She further explained that this project will update and improve the electrical and mechanical systems of the building; some of which are original to the facility. Not only will the infrastructure be updated, but a geothermal system will be installed that involves a 10-year payback in energy savings. It was moved by Mr. D'Arcy, supported by Ms. Walters, that the Board approve the Resolution of the State Building Authority Approving Construction Agreements, Conveyances of Property, Leases and Easement Agreements, if Necessary, for Certain Facilities.

- Ferris State University Swan Building Annex Renovations
- Michigan State Capitol Commission State Capitol Restoration/Infrastructure Upgrade Project

The vote in favor of the resolution was unanimous.

Lori Schreckengost from Citi provided a presentation on the upcoming variable rate bond issue. The presentation covered the team, past and present market conditions, past investors of SBA bonds, a variable rate overview and a summary of the schedule and financial information pertaining to the bond issue. Ms. Schreckengost stated that variable rate bonds increase future flexibility and in the past, the SBA has saved quite a bit of money maintaining variable rate bonds. Citi has offered their letter of credit (LOC) to support the upcoming issuance of the variable rate bonds and has also agreed to maintain the same rate on the current LOC supporting the 2007 and 2011 variable rate bonds. Mr. D'Arcy inquired of the formula for the interest rate. Ms. Schreckengost replied that it is based on the SIFMA index as a benchmark. Ms. Roberts further stated that the SBA has stayed very close to the SIFMA rate. Mr. D'Arcy asked what would happen in the event SIFMA goes away. Mr. Logan responded that there is always a period of adjustment when such changes occur. Mr. Zahn asked if the proposed Federal tax reform will have any impact on the SBA. Mr. Logan stated that any changes in tax law will not impact tax-exempt bonds overnight. There will be a period of adjustment. Due to the nature of variable rate bonds, the SBA can exit the market and fix out the bonds at any time.

The third resolution presented to the Board is to approve the rental, lease, and other matters for 5 projects currently in the Commercial Paper Program that the Authority would take title to in the upcoming bond deal. Mr. Devlin inquired as to the process of the projects that are selected for SBA funding. Ms. Roberts replied with an overview of how projects are submitted, reviewed and recommended to the Legislature and Governor's Office. Mr. Devlin further asked if a school could resubmit a project if it wasn't approved the first time around. Ms. Roberts said that they could. She also added that schools often submit projects that represent the current demand, such as health care and nursing. More specifically, she stated that Kirtland Community College's new project is a direct reflection of the growing timber industry in that part of the state. It was moved by Ms. Walters, supported by Mr. Zahn, that the Board approve the Resolution of the State Building Authority Determining the Rental and Confirming Other Matters Regarding the Conveyances of Property and the Leases for Certain Facilities.

- Central Michigan University Bio-Sciences Building
- Jackson College Bert Walker Hall Renovations
- Lake Superior State University School of Business Building
- University of Michigan Dearborn Science and Computer Information Science Building Renovation
- University of Michigan G.G. Brown Memorial Laboratories

The vote in favor of the resolution was unanimous.

The fourth resolution presented to the Board is for the authorization of issuance and sale of its 2017 Multi-Modal Revenue Bonds, Series I (Facilities Program). Ms. Roberts stated that the resolution is seeking approval for the 2017 bond issue described in the presentation and if this resolution is not approved, the SBA cannot proceed with the bond issue. It was moved by Ms. Orlans, supported by Mr. D'Arcy, that the Board approve the Resolution of the State Building Authority Authorizing the Issuance and Sale of Its 2017 Multi-Modal Revenue Bonds, Series I (Facilities Program) (including supplemental trust indenture, purchase contract, preliminary official statement, remarketing agreement, reimbursement agreement and continuing disclosure agreement). The vote in favor of the resolution was unanimous.

The fifth resolution extends the outstanding letter of credit for the 2007 Series I and 2011 Series II-B bonds due to expire December 19, 2017. Ms. Roberts explained that this resolution will extend the letter of credit for three years. Variable rate debt has been very favorable and just a year and a half ago was at 1 basis point. Ms. Orlans asked what the risk is. Ms. Roberts responded that the risk is the rates changing or Citi defaulting on their letter of credit. Though with short-term debt, the bonds can be fixed out at any time. Ms. Schafer added that the variable rate optionality takes away the risk. It was moved by Mr. Zahn and seconded by Ms. Walters that the Board approve the Resolution of the State Building Authority Authorizing Extension of Letters of Credit for the State Building Authority State of Michigan 2007 Multi-Modal Revenue Bonds, Series I (Facilities

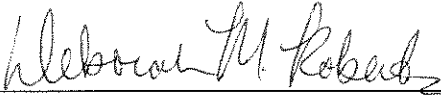
Program) and 2011 Variable Rate Refunding Bonds, Series II-B (Facilities Program). The vote in favor of the resolution was unanimous.

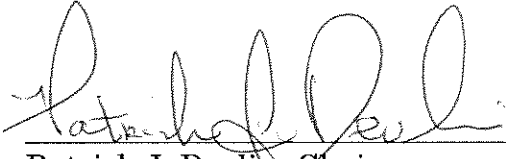
The Board members received a copy of the proposed 2018 Board meeting schedule. Ms. Roberts does not anticipate any further meetings needed in 2018. She also indicated that the 2018 schedule presented is tentative. Meetings will not be held unless there is business to bring before the Board.

In closing, Ms. Roberts mentioned that the fiscal year 2017 audit kick-off meeting is scheduled for September 25, 2017. She does not anticipated any findings.

Mr. D'Arcy made a motion for adjournment supported by Ms. Orleans. Mr. Devlin adjourned the meeting at 11:07 a.m.

APPROVED AND ADOPTED:

  
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Deborah M. Roberts, Executive Director

  
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Patrick J. Devlin, Chairperson