

STATE BUILDING AUTHORITY

A meeting of the State Building Authority (SBA) Board of Trustees was held at Cadillac Place, Press Room, 14th Floor, 3020-3068 W. Grand Boulevard, Detroit, Michigan at 1:00 p.m. on Tuesday, June 23, 2009.

Board Members Present:

Dawn Batts
John Clark
Ehrlich Crain
Patrick Devlin

Authority Staff:

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

Others Present:

Alan Lambert (Attorney General's Office)
Iris Lopez (Attorney General's Office)
Wayne Workman (R. W. Baird)
Rachael Eubanks (R. W. Baird)
Eric Rockhold (J. P. Morgan)
Stephanie Tomblin (J. P. Morgan)
Janene McIntyre (Lewis & Munday, PC)
Kester So (Dickinson Wright, PLLC)
Lowell Weidman (U. S. Coast Guard)

Chairperson Devlin called the meeting to order at 1:08 p.m.

Ms. Roberts reviewed the agenda, which includes a report on the CP program, resolution for the sale of the 2009 Revenue Refunding Bonds, Series I and two licensing agreements for the Michigan Public Safety Communications System.

The minutes of the January 26, 2009 meeting were reviewed, and Mr. Crain moved that the minutes be accepted as written. Mr. Clark supported the motion, which passed unanimously.

Ms. Schulz reported that the commercial paper outstanding is \$148 million for 13 projects, 4 of which are new. The issue date was June 4, 2009 with an interest rate of 0.4%. August 6, 2009 is the next roll of the CP program.

Ms. Tomblin reviewed the handout distributed by J. P. Morgan. The first page lists the working group for the 2009 Series I bonds with J. P. Morgan, Senior Managing Underwriter; Robert W. Baird & Company, Financial Advisor; Dickinson Wright, PLLC, Bond Counsel; Lewis & Munday PC, Underwriter's Counsel; U. S. Bank Corporate Trust Services, Trustee and Grant Thornton LLP, Verification Agent. Page two shows the rates for 30-Year AAA mid Yield and 10-Year Treasury bonds and noted the market continues to be volatile. Page four lists the bonds that will be refunded to general near-term cash flow savings. They are the 1998 Revenue and Revenue Refunding Bonds, Series I and two projects in the 2001 Revenue and Revenue Refunding Bonds, Series I. The total savings is \$9.5 million and the goal is to generate \$10 million in savings (yearly savings). The SBA anticipates receiving bond ratings and printing the preliminary official statement the week of July 6. Bonds will be priced July 21/22, with pre-closing and closing on July 29 and 30, if the market allows.

Mr. Crain asked what will happen if we can't achieve the savings of \$10 million, and Ms. Roberts indicated the deal will be reviewed on a day-to-day basis so those savings can be achieved. There are a few projects that the SBA needs to cancel the leases on to allow the SBA to rebond for special maintenance or return property to the state.

Mr. Devlin asked if SBA will be affected by budget issues and Ms. Roberts indicated not the program, but staff is personally affected by the six furlough days that need to be taken in this fiscal year. She also indicated the \$10 million in savings will help the budget because we will cancel leases.

Mr. Devlin asked about callable bonds, and Ms. Tomblin indicated that the 2003, 2006 and 2008 bonds are callable, but investment rates are so low they negatively affect advance refundings. Negative arbitrage is not unusual, and there will be a turnaround. The 1998 bonds are callable October 15 of this year.

Mr. So moved on to the Resolution of the State Building Authority Authorizing the Issuance and Sale of Its 2009 Revenue Refunding Bonds, Series I and informed the Board that this resolution is in the same form the Board has approved in the past. He reviewed the resolution and exhibits, and indicated that the resolution gives the Authority until December 31, 2009 to complete the sale of the bonds.

Mr. Crain asked what the risk is on the bond insurance. Mr. Workman explained that an economic analysis is done and we won't pursue insurance unless there is a clear advantage. Ms. Tomblin noted that insurers have been downgraded and investors would rather not be involved with the insurers. Ms. Roberts stated

that for the revenue bonds, the Building Authority stands on its own name and reputation.

It was moved by Mr. Clark, seconded by Ms. Batts that the Board approve the Resolution of the State Building Authority Authorizing the Issuance and Sale of Its 2009 Revenue Refunding Bonds, Series I. A roll call vote was conducted with the following results:

Ms. Batts – Yes
Mr. Clark – Yes
Mr. Crain – Yes
Mr. Devlin– Yes

The motion passed unanimously.

Moving on to the next two resolutions, Ms. Lopez explained that the City of Grand Rapids and the United State Coast Guard would like to enter to agreements with Michigan Department of Information Technology (MDIT) to hang equipment on the Michigan Public Safety Communications System towers. They will not be using the system, just the tower.

Mr. Clark asked if the Building Authority bonded the towers, and Ms. Roberts explained the towers were bonded through the Authority and that MDIT leases them from the Authority. The state has approved these license agreements. The Board also needs to approve the agreements because we own the land and towers. Mr. Clark asked about the income generated from the leases and it was explained that MDIT uses the income for maintenance.

Mr. Weidman from the Coast Guard indicated that the equipment that will be on the towers will benefit the citizens of Michigan with a much improved system for locating watercraft in distress.

It was moved by Mr. Clark, seconded by Mr. Crain that the board approve the Resolution of the State Building Authority Approving the Form of the Michigan Public Safety Communications System Non-Member Revocable License Agreement – City of Grand Rapids. All were in favor and the resolution passed unanimously.

It was moved by Mr. Crain, seconded by Mr. Clark, that the board approve the Resolution of the State Building Authority Approving the Form of the Michigan Public Safety Communications System Non-Member Revocable License Agreement – United States Coast Guard. All were in favor and the resolution passed unanimously.

Ms. Roberts noted that the next meeting of the Board is scheduled for October 26, 2009 and we will try to hold it at a community college or university in the Detroit area.

The meeting was adjourned at 1:45 p.m.

APPROVED AND ADOPTED:

Deborah M. Roberts, Executive Director

Patrick J. Devlin, Vice-Chairperson