

## STATE BUILDING AUTHORITY

A meeting of the State Building Authority (SBA) Board of Trustees was held at Cadillac Place, Press Room, 14<sup>th</sup> Floor, 3020-3068 W. Grand Boulevard, Detroit, Michigan at 2:00 p.m. on Monday, October 27, 2008.

### Board Members Present:

Dawn Batts  
John Clark  
Patrick Devlin  
Marty Mercer

### 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)  
Wayne Workman (R. W. Baird)  
Craig McKenna (Morgan Stanley)  
Sean Werdlow (Siebert Brandford Shank & Company, LLC)  
Kester So (Dickinson Wright, LLP)  
Dennis Gollen

Chairperson Devlin called the meeting to order at 2:02 p.m.

The minutes of the July 28, 2008 meeting were reviewed, and Ms. Mercer moved that the minutes be accepted as written. Mr. Clark supported the motion, which passed unanimously.

Ms. Roberts reviewed the agenda, which includes a report on the CP program, final update on the IRS audit, an update on the Camp Manistique Environmental Study, resolutions for new projects and resolutions for the sale of the 2008 Revenue and Revenue Refunding Bonds, Series I.

Ms. Schulz reported that the commercial paper outstanding is \$210.3 million for 24 projects. The first issue date was August 7, 2008 with an interest rate of 1.6% and the second issue date of September 24, 2008 with an interest rate of 3.75%. Both issues mature on November 6, 2008. The five new projects are highlighted on the report.

Ms. Roberts reported that the IRS audit is closed with no findings or changes. This was due in part to the work of Jeff McHugh at Miller Canfield who worked with the auditor. Mr. Clark asked that the board receive a copy of the audit letter.

Ms. Smith provided a copy of the report on the environmental study for Camp Manistique. She noted that contamination is highlighted on page 14 of the report and this report would be used by a new owner as a baseline environmental study. Ms. Roberts noted that this property is included in a bond deal. Corrections would like to sell the property, but the SBA holds title to the property. The prison has been closed. If and when the property sells, it will be "as is". Ms. Mercer asked if the state is actively trying to sell the property, and Ms. Roberts indicated no. Ms. Mercer inquired as to the obligation to mitigate the property. Ms. Roberts she will check into Ms. Mercer's question, but we never have in the past.

Moving to new business, Mr. So explained the first two resolutions under New Business. The first is for the Department of History, Arts and Libraries Warehouse Acquisition and the second is for the University of Michigan-Flint, French Hall Renovations. Approval of the resolutions will allow these projects to be entered into the Commercial Paper program. The documents presented are in the same form as previously presented and are ready for the Board's consideration.

It was moved by Mr. Clark, seconded by Ms. Batts that the Board approve the Resolution of the State Building Authority Approving a Construction Agreement, Conveyance of Property, a Lease and an Easement Agreement, if Necessary, for the Department of History, Arts and Libraries Warehouse Facility Acquisition. All members were in favor and the resolution passed unanimously.

It was moved by Ms. Batts, seconded by Ms. Mercer that the Board approve the Resolution of the State Building Authority Approving a Construction Agreement, Conveyance of Property, a Lease and an Easement Agreement, if Necessary, for the University of Michigan-Flint French Hall Renovations. All members were in favor and the resolution passed unanimously.

Mr. So moved to the next resolution which determines the rental for the projects listed in Exhibit A of the resolution. The determination of the rentals also requires the approval of the State Administrative Board and the legislature. It was moved by Mr. Clark, seconded by Ms. Batts 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. All members were in favor and the resolution passed unanimously.

Mr. So explained that the next resolution does the same thing as far as the rent, but is in a separate resolution due to the fact it is for a number of maintenance projects. It was moved by Ms. Batts, seconded by Ms. Mercer that the Board approve the Resolution of the State Building Authority Determining the Rental and

Confirming Other Matters Regarding the Lease for the Department of Management and Budget State Facility Preservation Projects-Phase I and II Group A Special Maintenance Roof Repairs. All members were in favor and the resolution passed unanimously.

Mr. McKenna provided a market update to the Board due to the number of significant events in the last few months. The markets have moved in wide ranges with the most concerning being the 3-month Treasury notes (?). Interbank lending has been a concern, but these institutions are working with each other again which is encouraging.

Mr. McKenna explained the SIFMA Index has seen considerable volatility over the past year but has settled to more normal levels. Rates are expected to move lower. He further explained 30 year MMD (tax-exempt index) was up to 6% and is currently down to 5.19% and he feels will stay in the 5.19% range. Supply may keep the rates higher through the end of the year. It will be good if we can borrow now and not wait until we are in the position of having to borrow.

Mr. McKenna explained the three alternatives to allow flexibility when we sell. The first alternative is a \$100 million. This would allow the Authority to refund outstanding DEPFA-backed variable rate bonds and provide \$48 million for additional projects. The second alternative is a \$200 million deal and would refund outstanding DEPFA-backed variable rate bonds and fund all additional projects. The third alternative would add in refunding the JP Morgan-backed variable rate bonds. This will allow the ability to move quickly and be flexible. Mr. Workman explained that the DEPFA-backed bonds are in the 10% range and their letter of credit expires on December 1, 2008. As far as JP Morgan, there is not rating problem, but their letter of credit will also expire in December. They will renew, but at 60 basis points which is significantly higher. Ms. Roberts commented that what we are asking the Board to approve today will allow the Authority to do any of the 3 scenarios, depending on the market.

Mr. So moved to the last resolution on the agenda and explained the parameters of the bond deal.

Ms. Mercer asked how leases are cancelled and Mr. So explained that once our debt service is satisfied and we have excess revenue, it allows the Authority to cancel leases. It is a way for the Authority and the State to save money. Ms. Roberts commented it is a way for us to pass on savings to the state.

The question was asked how it is determined which scenario to go with, and Mr. McKenna, Mr. Werdlow and Mr. Workman will make a recommendation to Ms. Roberts as to which scenario will be best for the Authority. The only urgency in these scenarios is to refund the DEPFA-backed bonds. It was also explained that in the parameters the Authority has up to January 30 to sell, which will take us to the

next Board meeting. It is anticipated that the bonds will be priced the week of November 3 or November 10.

It was moved by Ms. Mercer, seconded by Mr. Clark that the Board approve the Resolution of the State Building Authority Authorizing the Issuance and Sale of Its 2008 Revenue and Revenue Refunding Bonds, Series I (Facilities Program). A roll call vote was conducted with the following results:

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

The motion passed unanimously.

Ms. Roberts noted that the next meeting of the Board is scheduled for the end of January, 2009.

Mr. Clark moved to adjourn the meeting and it was seconded by Ms. Mercer. All were in favor and the meeting adjourned at 2:52 p.m.

APPROVED AND ADOPTED:

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Deborah M. Roberts, Executive Director

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Patrick J. Devlin, Vice-Chairperson