

## STATE BUILDING AUTHORITY

A meeting of the State Building Authority (SBA) Board of Trustees was held at the Lewis Cass Building, 2<sup>nd</sup> Floor Director's Conference Room, 320 South Walnut, Lansing, Michigan at 2:05pm, Wednesday, May 4, 2011.

### Board Members Present:

Patrick Devlin  
Ehrlich Crain  
Marty Mercer  
Carol Walters

### Authority Staff:

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

### Others Present:

John Nixon, Director, DTMB  
Alan Lambert (Attorney General's Office)  
Stephen Rideout (Attorney General's Office)  
Wayne Workman (R. W. Baird)  
Rachael Eubanks (R. W. Baird)  
Stephanie Tomblin (J.P. Morgan Securities)  
Eric Rockhold (J.P. Morgan Securities)  
Kester So (Dickinson Wright)  
Rob Mellinger (Citigroup)  
James Kiefer (Dykema Gossett)  
Ann Fillingham (Dykema Gossett)  
Courtney Kissel (Dykema Gossett)  
Barbara Bowman (Bodman)  
Anton Colon (PNC)

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Chairperson Devlin called the meeting to order at 2:05 p.m. Ms. Roberts introduced Mr. Nixon, the director of the Department of Technology, Management

and Budget to those in attendance. She proceeded to ask everyone in the room to introduce themselves.

The minutes of the September 22, 2010 meeting were reviewed. Ms. Walters moved that the minutes be accepted as written. Ms. Mercer supported the motion, which passed unanimously.

Ms. Roberts reviewed the agenda, which includes four resolutions for construction agreements for projects ready to enter into the CP program, point rental and conveyances for projects to be bonded, point rental for special maintenance projects and resolution for the 2011 bond issue.

Ms. Smith reviewed the CP status report and noted that the three highlighted projects have recently been added to the CP program since the last meeting in September. The total CP outstanding is \$167.9 million, at a rate of .35% with a maturity date of June 2, 2011.

Ms. Roberts explained the first resolution presented to the Board is for five projects to enter the Commercial Paper Program. The documents are in the same form as presented to the Board in the past. It was moved by Ms. Mercer, supported by Ms. Walters, that the Board approve the Resolution of the State Building Authority Approving a Construction Agreements, Conveyances of Property, Leases and an Easement Agreements, if Necessary, for Certain Facilities:

- DTMB State Facility Preservation Projects Phase III Group N Huron Valley Food Service Building
- Eastern Michigan University Pray-Harrold Hall Renovations
- Kirtland Community College Well Water System Upgrade
- Michigan Technological University Great Lakes Research Center
- Oakland University Human Health Building

All were in favor and the resolution passed unanimously.

The second resolution presented to the Board is a resolution determining the point rentals, conveyances and leases for thirteen projects the Authority will take title to. The documents are in the same form as presented to the Board in the past. It was moved by Ms. Walters, supported by Mr. Crain, 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:

- DTMB State Facility Preservation Projects – Phase I and II Group F VanWagoner Building
- DTMB State Facility Preservation Projects – Phase I and II Group I Michigan Library and Historical Center
- DTMB State Facility Preservation Projects – Phase III Group K Huron Valley Drop Ship Building and Sewage Pump Station
- DTMB State Facility Preservation Projects – Phase II and III Group M Maxey Transition (Green Oaks Addition, Huron Center and Woodland Infirmary)
- DTMB State Facility Preservation Projects – Phase III Group N Huron Valley Food Service Building
- MSP State Police Headquarters
- FSU Center for Collaborative Health Education
- Jackson CC Whiting Hall Renovation
- Kalamazoo Valley CC Texas Township Campus Expansion
- Charles Stewart Mott CC Library Consolidation and Renovations
- SVSU Health Science Facility
- Southwestern Michigan College Technology Building Renovation and Expansion
- West Shore CC Arts and Sciences Center/Remodeling and Additions

A roll call vote was conducted with the following results:

Ms. Mercer – Abstained

Ms. Walters – Yes

Mr. Devlin – Yes

Mr. Crain – Yes

The motion passed unanimously.

The third resolution presented to the Board is a resolution determining the point rentals and Leases for six special maintenance projects. The documents are in the same form as presented to the Board in the past. It was moved by Ms. Mercer, supported by Ms. Walters that the Board approve the Resolution of the State Building Authority Determining the Rental and Confirming Other Matters Regarding the Leases for Certain Facilities:

- DTMB State Facility Preservation Projects – Phase I and II Group E Special Maintenance Projects
- DTMB State Facility Preservation Projects – Phase I and II Group G Special Maintenance Projects
- DTMB State Facility Preservation Projects – Phase I and II Group H Special Maintenance Projects
- DTMB State Facility Preservation Projects – Phase I, II and III Group J Huron Valley Special Maintenance Projects
- DTMB State Facility Preservation Projects – Phase I and III Group L Maxey Special Maintenance Projects
- DTMB State Facility Preservation Projects – Phase III Group O Special Maintenance Projects

A roll call vote was conducted with the following results:

Ms. Mercer – Yes

Ms. Walters – Yes

Mr. Devlin – Yes

Mr. Crain – Yes

The motion passed unanimously.

The fourth resolution presented to the Board is for the authorization and issuance of the 2011 Revenue and Revenue Refunding bonds Series I and 2011 Revenue Refunding Bonds Series II. Ms. Tomblin from J.P. Morgan Securities gave an overview of the transaction, which will refund the 2001 Series I bonds under the 2003 Master Indenture, refund a portion of the 2005 Series I bonds under the 2005 Master Indenture to address the mandatory PUT coming due on October 15, 2011, refund a portion of the 2007 Series I variable rate bonds under the 2005 Master Indenture to access excess lease efficiency and fund 19 new money projects under both the 2003 and 2005 Master Indentures. There will be no long-term escrows since all the refundings will be current.

Ms. Tomblin addressed current market conditions that interest rates have been on the rise since late 2010, although they have declined in the past three weeks since many borrowers are waiting to enter to the market. Ms. Walters asked if more deals were coming this year. Ms. Tomblin replied that many states have new administrations and may be waiting until their new fiscal year to enter the market. Mr. Nixon agreed that many states are not expanding their infrastructure right now. Mr. Rockhold concurred and mentioned that Minnesota had a \$1 billion deal that was still waiting for legislative action. Ms. Tomblin concluded that from a historical perspective, interest rates are still very low and it is still a good time to borrow. At current market conditions, the Authority will be able to cancel leases totaling \$15.7 million annually and has PV savings of \$11.4 million. Mr. Workman

added that \$15 million would be saved not just initially, but annually through 2026 then declining thereafter.

Ms. Fillingham explained that the Board will be approving the parameters of the deal set forth in the exhibit and the forms of both the Series I and Series II 2011 supplemental indentures, purchase contract, preliminary official statement, escrow deposit agreements, remarketing agreement, reimbursement agreement and continuing disclosure agreement. Ms. Fillingham outlined that there will be fixed rate, variable rate and some taxable bonds. She also noted that there is a conversion mechanism that allows the bonds issued under the 2005 Master Indenture to convert, at the Authority's discretion, to the 2003 Master Indenture when the bonds become callable. This conversion mechanism is similar to a mode conversion and allows the Authority to utilize the efficiency of the 2003 Master Indenture at a later time. Ms. Walters asked about the taxable bonds and Ms. Fillingham explained it was due to the tax code and some expenditures being older than three years.

The documents are in similar form as presented to the Board in the past. It was moved by Ms. Walters, supported by Mr. Crain that the Board approve the Resolution of the State Building Authority Authorizing the Issuance and Sale of Its 2011 Revenue and Revenue Refunding Bonds, Series I (Facilities Program) and Its 2011 Revenue Refunding Bonds, Series II (Facilities Programs). A roll call vote was conducted with the following results:

Ms. Mercer – Abstained

Ms. Walters – Yes

Mr. Devlin – Yes

Mr. Crain – Yes

The motion passed unanimously.

Ms. Roberts noted that the next scheduled meeting of the Board of Trustees is July 25, 2011. If the meeting is needed, it will be held in the Howell area.

The meeting was adjourned at 2:40 p.m.

APPROVED AND ADOPTED:

  
Deborah M. Roberts, Executive Director

  
Patrick J. Devlin, Chairperson