

MICHIGAN FINANCE AUTHORITY
BOARD MEETING MINUTES
March 20, 2019

A meeting of the Michigan Finance Authority ("MFA" or the "Authority") was held on March 20, 2019, at 2:00 p.m. in the Richard H. Austin Building, 1st Floor, State Treasurers' Board Room, 430 West Allegan Street, Lansing, Michigan.

MEMBERS PRESENT: Anne Wohlfert, Chair, proxy for State Treasurer
Anna Heaton
Tim Hoffman
Travis Jones
Murray David Wikol

MEMBERS ABSENT: Bill Beekman
Don Gilmer

CALL TO ORDER/ROLL CALL

Anne Wohlfert, Chair, called the meeting of the Michigan Finance Authority to order at 2:00 p.m. with Anne Wohlfert, Anna Heaton, Tim Hoffman, Travis Jones, and Murray David Wikol in attendance. Ms. Wohlfert noted that a quorum was present.

PUBLIC COMMENT

Anne Wohlfert asked if there were any members of the audience who would like to speak. There were none.

REVIEW OF AGENDA

Deborah Roberts, Bureau of State and Authority Finance, provided an overview of items on the agenda.

APPROVAL OF MINUTES

Anne Wohlfert asked if there were any corrections, comments, or additions to the minutes as presented dated December 13, 2018. A motion was made by Travis Jones and supported by Tim Hoffman to approve the minutes. A voice vote was taken and the motion passed unanimously.

RESOLUTION 2019-01

RESOLUTION TO AUTHORIZE THE ISSUANCE OF MICHIGAN FINANCE AUTHORITY HOSPITAL REVENUE BONDS (HENRY FORD HEALTH SYSTEM) SERIES 2019

Graham Davidson, Bureau of State and Authority Finance, discussed the Detroit-based health system which was founded in 1915 and is currently comprised of six hospitals, medical centers in the metro Detroit and Jackson areas, and the Henry Ford Medical Group which is one of the nation's largest group practices. Mr. Davidson further discussed the financing and use of proceeds in the amount of not to exceed \$300 million which will be used to finance or refinance costs for renovation, furnishing, and equipping of Henry Ford healthcare facilities in multiple locations in metro Detroit and Jackson. Additionally, Mr. Davidson noted the financing will provide for the completion of various small projects at several sites, pay the costs of issuance, and, if necessary, fund capitalized interest.

Pamela Schmidt, Henry Ford Health System, further discussed the health system and the primary projects indicating that \$187.5 million will be used to construct and equip a new cancer center in metro Detroit, \$75 million will be used for lobby renovations and to construct a new patient tower at Henry Ford Allegiance Health in Jackson, and \$27.5 million will be used to construct and equip a clinical office building for the Henry Ford Center for Athletic Medicine in metro Detroit. Ms. Schmidt further indicated there are numerous smaller projects which mainly consist of HVAC improvements and other infrastructure updates.

Travis Jones inquired as to the projects itemized total of \$330 million as opposed to the not to exceed amount of \$300 million indicated in the staff report. Pamela Schmidt stated the remaining \$30 million in project funds would either be raised through philanthropy or paid with operating cash.

Tim Hoffman inquired about the new cancer center and the difference in the current space and what will be constructed. Pamela Schmidt indicated the new cancer would be a stand-alone building adjacent to Henry Ford Hospital on West Grand and cancer services would be moved from the hospital to free up space for additional community services.

Tim Hoffman further inquired if moving the cancer treatment services was more for space or a product/delivery of service issue. Pamela Schmidt indicated the move is a service issue as well as desiring to have dedicated space for the cancer center.

Murray David Wikol inquired whether the credit ratings presented were based on the Obligated Group or the Henry Ford Health System. Pamela Schmidt indicated the Obligated Group represents about 96% of the Henry Ford Health System and, therefore, they are essentially the same.

Katrina Desmond, Miller, Canfield, Paddock and Stone, P.L.C., presented the resolution and indicated that it is in the standard and proper form.

William Pettit, Esq., Attorney General's Office, commented that the statute requires a Certificate of Need or waiver letter which is attached to the resolution and further that Klein Allison, Esq., Attorney General's Office, has thoroughly reviewed the documents and indicated that the resolution presented was in substantially final form for the board's consideration.

Anne Wohlfert asked if there were any questions, comments, or additions to the resolution. Hearing none, she then requested a motion. Tim Hoffman made a motion to approve the resolution supported by Travis Jones. A roll call vote was taken and the following members voted affirmatively: Anne Wohlfert, Anna Heaton, Tim Hoffman, Travis Jones, and Murray David Wikol.

RESOLUTION 2019-02

RESOLUTION AUTHORIZING THE ISSUANCE OF SCHOOL LOAN REVOLVING FUND REVENUE OR SCHOOL LOAN REVOLVING FUND REVENUE AND REFUNDING BONDS, RENEWING, REPLACING OR OBTAINING NEW CREDIT FACILITY, MODIFICATION OF CERTAIN TERMS, APPROVING DOCUMENTS, PURCHASE AGREEMENT AND AUTHORIZING DISCLOSURE DOCUMENT

Deborah Roberts indicated the program is designed to be a self-sustaining source of funding for loans to school districts that have their capital improvement bonds qualified by the State of Michigan and to reduce or eliminate the need for general obligation borrowing by the State to fund such loans. Ms. Roberts indicated that because of some statutory amendments and the stabilization of market values the programmatic needs are stabilizing, but it is anticipated there will be a significant need for new loans in the next four to five years.

Brian Lefler, Robert W. Baird & Co., discussed the upcoming May 1 loan demand of approximately \$450 million and indicated the first transaction is going to be about \$300 million of fixed rate term bonds and the balance will come from cash on hand. Mr. Lefler further indicated that the structure of these taxable term notes is essentially going to be laid on top of the outstanding program debt in an effort to manage what is anticipated to happen in the next five years. Mr. Lefler noted the transaction would be structured as two \$150 million fixed rate taxable term notes; one with a three year term and the other with a five year term which would allow the Authority the ability to collapse those outstanding bonds or have them remarketed if revenue comes in higher than anticipated; however, the goal is to try to keep the aggregate cost of funds for the program as low as possible.

Jarrold Smith, Dykema Gossett PLLC, presented the resolution and indicated it is in the usual and customary form consistent with prior resolutions for this program. Mr. Smith also indicated that negotiations are upcoming with current credit facility providers that support some of the outstanding bonds. Mr. Smith noted the resolution provides authorization to renegotiate some terms that were put in place at the start of the program. Mr. Smith also noted consent from the credit facility providers is necessary in order to issue these bonds.

Tim Hoffman inquired whether the viability of the program was a result of the law change or change in market value. Jarrod Smith indicated it is due to both as the change in law requires school districts to annually review their millage levy with respect to their debt service and make adjustments within certain parameters. Additionally, Mr. Smith reiterated Ms. Roberts comment related to the rebound in market value for properties supporting qualified school bonds.

John Millhouse, Esq., Attorney General's Office, expressed appreciation to Jarrod Smith for his explanation of the transaction and commented that the resolution presented was in the proper form for the board's consideration.

Anne Wohlfert asked if there were any questions, comments, or additions to the resolution. Hearing none, she then requested a motion. Travis Jones made a motion to approve the resolution supported by Anna Heaton. A roll call vote was taken and the following members voted affirmatively: Anne Wohlfert, Anna Heaton, Tim Hoffman, Travis Jones, and Murray David Wikol.

ADMINISTRATIVE MATTERS

Jean Young, Plante Moran, discussed highlights of the Comprehensive Annual Financial Report of the Michigan Finance Authority FY 2018. Ms. Young indicated there were no material weaknesses and no internal control matters to report and, therefore, Plante Moran was able to render an unmodified opinion.

Deborah Roberts and Tim Hoffman expressed appreciation for the high quality work produced by the MFA accounting staff.

Deborah Roberts presented the 2019 MFA board meeting schedule as required by the Open Meetings Act. Anne Wohlfert asked if there were any questions, comments, or additions to the meeting schedule. Tim Hoffman inquired as to the May meeting date. Ms. Roberts indicated that it was anticipated there would be no need for a May board meeting. Ms. Wohlfert then requested a motion. Travis Jones made a motion to approve the meeting schedule supported by Tim Hoffman.

Next Meeting

Deborah Roberts indicated the next meeting is scheduled for Tuesday, April 23, 2019, at 10:00 a.m.

ADJOURNMENT

Anna Heaton made a motion for adjournment supported by Tim Hoffman. The meeting was adjourned at 2:30 p.m.

APPROVED at the MFA Board Meeting on April 23, 2019