

MICHIGAN FINANCE AUTHORITY
BOARD MEETING MINUTES
April 23, 2019

A meeting of the Michigan Finance Authority ("MFA" or the "Authority") was held on April 23, 2019, at 10:00 a.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
Luke Forrest
Anna Heaton
Tim Hoffman
Murray D. Wikol

MEMBERS ABSENT: Bill Beekman
Travis Jones

CALL TO ORDER/ROLL CALL

Anne Wohlfert, Chair, called the meeting of the Michigan Finance Authority to order at 10:00 a.m. with Anne Wohlfert, Luke Forrest, Anna Heaton, Tim Hoffman, and Murray D. 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

Debbie Roberts, Bureau of State and Authority Finance, introduced Luke Forrest as the newest member of the MFA board and 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 March 20, 2019. A motion was made by Tim Hoffman and supported by Anna Heaton to approve the minutes. A voice vote was taken and the motion passed unanimously.

RESOLUTION 2019-03

**AMENDING PROJECT FOR THE
MICHIGAN FINANCE AUTHORITY HOSPITAL REVENUE
BONDS (BEAUMONT HEALTH CREDIT GROUP), SERIES 2016**

Patrick Price, Bureau of State and Authority Finance, discussed Beaumont Health, which was created through a merger of Beaumont Health System, Oakwood Healthcare, and Botsford Healthcare in 2014, and owns and operates eight hospitals with 3,429 hospital beds, 187 outpatient sites, nearly 5,000 physicians, and more than 38,000 employees. Mr. Price noted on February 4, 2016, the Authority issued \$300 million of Hospital Revenue Bonds for the benefit of Beaumont Health, a portion of which remains unspent. Mr. Price stated Beaumont Health would like to reallocate \$50 million of the Series 2016A bond proceeds to a new \$100 million project which consists of an administration building (Beaumont Services Center) in Southfield. Mr. Price further noted the new building will consolidate approximately 2,500 to 3,000 employees from 16 buildings throughout southeast Michigan.

John Peetz, Beaumont Health, further discussed the health system and project. Mr. Peetz noted when the debt was originally issued in 2016 there was a lot of construction to be completed, primarily for the Proton Center in Royal Oak, the emergency center expansion at the Royal Oak Hospital, and the patient tower at Farmington Hills. Mr. Peetz noted cost constraints established with the new administration and associated savings on the projects resulted in a portion of the 2016 bond proceeds remaining unspent with some accumulated interest. Mr. Peetz further indicated Beaumont Health, as a result of the cost savings on the prior projects, would like to access the 2016 construction fund to complete a centralized administration facility.

Murray D. Wikol inquired as to the type of bond being issued. Debbie Roberts indicated it was a tax-exempt bond. Mr. Wikol further inquired as to the number of existing tenants that are non-Beaumont tenants. John Peetz responded that originally there were 17 non-Beaumont tenants and currently there are between four and six. Mr. Peetz further indicated the cost of the building renovations and parking structure is approximately \$100 million and it is expected slightly less than \$50 million of the 2016 tax-exempt bond proceeds will be dedicated to the project; however, Beaumont Health will occupy between 70% to 80% of the building. Mr. Wikol noted the size of the building at 686,000 square feet and inquired whether Beaumont is currently occupying over 360,000 square feet; Mr. Peetz indicated they were. Mr. Wikol inquired in terms of Beaumont operations what percentage is for-profit versus not-for-profit within Beaumont; Mr. Peetz indicated it is all not-for-profit. Mr. Wikol inquired whether any tax abatement was received from the city of Southfield. Mr. Peetz indicated that he was not aware of any. Mr. Peetz noted ultimately the building will be tax-exempt for the space Beaumont occupies and therefore property taxes will not be paid on that portion. Mr. Wikol inquired as to the other tenants in the building and Mr. Peetz responded that those tenants would be taxable and applicable taxes would be passed through to them.

Katrina Desmond, Miller, Canfield, Paddock and Stone, P.L.C., presented the resolution and indicated that it is in the proper form and is being completed pursuant to new federal tax regulations that allow for the new project substitution. William Pettit, Esq., Attorney General's Office, stated the 2016 loan agreement permits the hospital to make changes to the projects; however, the change in scope and necessity for a new TEFRA and CON waiver related to the amended project required board consideration. Mr. Pettit also noted this project amendment was being completed pursuant to new TEFRA regulations which took effect April 1 and the resolution as presented is ready for the board's consideration.

Tim Hoffman inquired whether we will see additional financings similar to this project due to the new regulations. Katrina Desmond stated the new TEFRA regulations effective April 1, 2019, can be applied on a retroactive basis and allows for prior bond proceeds to be used for new projects in the event there were unforeseen circumstances. Ms. Desmond further stated she is not sure how common it will be because it is difficult to determine how often borrowers would meet the criteria.

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 Anna Heaton. A roll call vote was taken and the following members voted affirmatively: Anne Wohlfert, Luke Forrest, Anna Heaton, Tim Hoffman, and Murray D. Wikol.

RESOLUTION 2019-04

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF STATE AID REVENUE NOTES AND TAX ANTICIPATION REVENUE NOTES

Graham Davidson, Bureau of State and Authority Finance, discussed the program and the use of proceeds in the amount of not to exceed \$500 million which would authorize the MFA to provide low-cost loans to qualifying Michigan school districts for their operating cash flow needs. Mr. Davidson noted the loans will be secured by a pledge of state school aid and the MFA will use the loan repayments from the school districts to repay its notes. Mr. Davidson further noted each district is responsible only for its own loan with the Authority. Additionally, Mr. Davidson stated, the resolution authorizes not only the pooled SAN program, but also provides additional capacity to finance any SAN or TAN cash flow borrowings for those schools that did not participate in the pooled program or may need an additional borrowing. Mr. Davidson provided background information on the pool stating that the program began in 1987 and consists of two pools, a set-aside pool and a no set-aside pool. The set-aside pool offers borrowers the option to have equal set-asides of 3, 5, or 7 payments and the no set-aside pool features a single payment at maturity in August. Borrowers may participate in either one or both of the pools. Mr. Davidson described recent transactions where in 2017 all of the pooled notes were directly placed with JP Morgan Chase Bank and in 2018 the pooled notes were issued as a hybrid model, with the no set-aside again being a direct placement with JP Morgan Chase Bank and the set-aside portion sold publicly. It is expected both pools will be sold publicly as negotiated

public offerings in 2019 with the no set-aside pool supported by a letter of credit from JP Morgan Chase Bank. Mr. Davidson noted both JP Morgan Chase Bank and PNC Bank did submit term sheets to purchase the pooled notes as a direct placement for additional flexibility as needed.

Murray D. Wikol inquired as to the cost of the letter of credit. John Barton indicated the cost is 21 basis points.

Anna Heaton inquired whether there was an average repayment term. Graham Davidson indicated there is not. Mr. Davidson further noted there were roughly 40 participants in the no set-aside pool with the majority of borrowers participating in the set-aside program for 2018; however, the composition changes year to year.

Ian Koffler, Miller, Canfield, Paddock and Stone, P.L.C., presented the resolution and indicated it is in the usual and customary form consistent with previous years with a sunset date of December 31, 2019.

William Pettit, Esq., commented that the resolution and documents were in the usual form of those used in the past and are in order 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. Anna Heaton made a motion to approve the resolution supported by Tim Hoffman. A roll call vote was taken and the following members voted affirmatively: Anne Wohlfert, Luke Forrest, Anna Heaton, Tim Hoffman, and Murray D. Wikol.

RESOLUTION 2019-05

SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE OF LOCAL GOVERNMENT LOAN PROGRAM REVENUE BONDS, APPROVING DOCUMENTS, BOND PURCHASE AGREEMENT, PLACEMENT AGREEMENT, PRIVATE PURCHASE AGREEMENT AND AUTHORIZING DISCLOSURE DOCUMENTS AND THE PURCHASE OF MUNICIPAL OBLIGATIONS

David Boyne, Bureau of State and Authority Finance, discussed the program and the financing which would authorize financings in the amount of not to exceed \$150 million and extend the lapse date through September 30, 2019. Mr. Boyne noted there is currently one project, an economic refunding in the approximate amount of \$15 million for the city of Flint, in progress.

Kester So, Dickinson Wright PLLC, presented the supplemental resolution and indicated it is in the usual and customary form consistent with prior supplemental resolutions for this program.

William Pettit, Esq., commented that despite the fact that there is currently only one pool participant, this project is very similar to the pooled projects that were completed in the past as opposed to more recent LGLP deals which might have one difficult or troubled credit. Mr. Pettit noted the supplemental 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. Murray D. Wikol made a motion to approve the resolution supported by Tim Hoffman. A roll call vote was taken and the following members voted affirmatively: Anne Wohlfert, Luke Forrest, Anna Heaton, Tim Hoffman, and Murray D. Wikol.

RESOLUTION 2019-06

RESOLUTION OF THE MICHIGAN FINANCE AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF ITS PUBLIC SCHOOL ACADEMY STATE AID REVENUE NOTES

Patrick Price discussed the financing and use of proceeds in the amount of not to exceed \$50 million which would authorize the MFA to provide Michigan public school academies with short term low-cost loans to meet their operating cash flow needs. Mr. Price noted the loans will be secured by state aid intercept and the MFA will use the repayments from the borrowers to repay its notes. Mr. Price further indicated that approximately 50 participants in the pooled program are expected this year with a total amount of approximately \$30 million. Mr. Price commented the not to exceed amount found in the resolution is \$50 million to account for loans that may be completed away from the pool or for those who did not participate in the pool before the sunset date of December 31, 2019.

Jarrold Smith, Dykema Gossett PLLC, presented the resolution noting that it contained an expiration date to the end of the calendar year and indicated it is consistent with prior resolutions.

William Pettit, Esq., expressed appreciation to the Dykema and PNC teams for their work and commented that the resolution and documents were in the form of those used in the past and are in order 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 Murray D. Wikol. A roll call vote was taken and the following members voted affirmatively: Anne Wohlfert, Luke Forrest, Anna Heaton, Timothy Hoffman, and Murray D. Wikol.

ADMINISTRATIVE MATTERS

John Barton, Bureau of State and Authority Finance, provided an update of the completed and upcoming projects. Murray D. Wikol inquired if any of the projects had issues or were under watch. Mr. Barton indicated two PSA projects were under watch and there have been a couple of defaults on long-term charter school facility financings. Mr. Wikol inquired as to the amount of exposure and Mr. Barton responded that it was less than \$20 million aggregate for the two. Mr. Wikol requested a write-up for each of the two projects for the next MFA board meeting.

Next Meeting

The next meeting date will be June 4 or June 5, 2019.

ADJOURNMENT

Anna Heaton made a motion for adjournment supported by Murray D. Wikol. The meeting was adjourned at 10:30 a.m.

APPROVED at the MFA Board Meeting on June 4, 2019