

Meeting of the Board  
**STATE PUBLIC SCHOOL BUILDING AUTHORITY**  
March 24, 2016  
**Room 515 North Office Building**  
Harrisburg, Pennsylvania  
10:00 a.m. Prevailing Time

MINUTES

1. Call to Order, Filing of Proof of Sunshine Notice and of Sending Notice of the Meeting, Roll Call and Announcement of Quorum.
2. Election of Officers for 2016.
3. Approval of the Minutes of the Meeting of December 3, 2015.
4. Financial Reports for the Months of November 2015, December 2015 & January 2016.
5. Revolving Loan Fund.
6. Approval of Projects.
  - A. Resolution Authorizing the Undertaking of a Project on Behalf of Montgomery County Intermediate Unit No. 23.
7. Old Business.
  - A. Authority Counsel.
8. New Business.
9. Adjournment.

**1. CALL TO ORDER, FILING OF PROOF OF SUNSHINE NOTICE AND OF SENDING NOTICE OF THE MEETING, ROLL CALL AND ANNOUNCEMENT OF QUORUM.**

With a quorum of the Board being present, the meeting of the Board of the State Public School Building Authority was called to order on Thursday, March 24, 2016 at 10:00 a.m. prevailing time, in Room 515 North Office Building, Harrisburg, Pennsylvania. The proof of the Sunshine advertisement and certification in regard to sending the notice of meeting is attached to these minutes and identified as Appendix "A".

**Board Members Present**

Steven Heuer, (Proxy for Governor Thomas W. Wolf)  
Danielle Guyer, (Proxy for Representative Stanley E. Saylor)  
Alan Cohn, (Proxy for Representative Anthony M. DeLuca)  
Christopher Craig, (Proxy for Treasurer Timothy A. Reese)  
Christal Pike-Nase, (Proxy for Auditor General Eugene A. DePasquale)  
Secretary of General Services Curtis M. Topper  
Ernie Helling, (Proxy for Secretary of Education Pedro A. Rivera)

**Board Members Absent**

Senator Lloyd K. Smucker  
Senator Andrew E. Dinniman

**Authority Personnel Present**

Robert Baccon, Executive Director  
Beverly Nawa, Administrative Officer  
David Player, Comptroller

**Also Present**

William McCarty, Esquire, Barley Snyder LLP  
Jennifer Langan, Deputy Chief Counsel, Pennsylvania Treasury

**Participated Via Conference Call**

Ellen Enters, Esquire, Fox Rothschild LLP  
Colleen Rush, Esquire, Fox Rothschild LLP  
Kevin Cunningham, Esquire, Ballard Spahr LLP  
Dan Turner, Esquire, Tuner Law, P.C.  
Jay Bellwoar, Managing Director, Merrill Lynch, Pierce, Fenner & Smith  
Helen Kreider, Associate Treasurer, University of Pennsylvania

## 2. ELECTION OF OFFICERS FOR 2016.

Chairperson Heuer explained that The officers of the Authority are elected at the first board meeting of the year. Typically, the Governor serves as President of the board and the three Vice Presidents are the two members of the Senate and the Speaker of the House or his designee. The Secretary is usually the Secretary of General Services and the Treasurer is normally the State Treasurer.

Chairperson Heuer recommended that Governor Wolf be elected President, Senators Smucker and Dinniman and Representative Saylor as the Vice Presidents, Treasurer Reese as the Treasurer and Secretary Topper as Secretary. He also recommended Bob Baccon, Dave Player and Bev Nawa be elected as Assistant Secretaries and Assistant Treasurers.

Chairperson Heuer opened the floor to nominations or a motion to elect the recommended officers.

In accordance with the SPSBA Bylaws, and upon **MOTION** by **Mr. Helling**, and **SECONDED** by **Ms. Pike-Nase** at the SPSBA Board Meeting of March 24, 2016, the following Officers were unanimously elected for a period of one year and until their respective successors shall have been duly elected and qualified or until they have ceased to be members of the Board.

- |                        |                    |
|------------------------|--------------------|
| a. President           | Thomas W. Wolf     |
| b. Vice President      | Lloyd K. Smucker   |
| Vice President         | Andrew E. Dinniman |
| Vice President         | Stanley E. Saylor  |
| c. Secretary           | Curtis M. Topper   |
| d. Treasurer           | Timothy A. Reese   |
| e. Assistant Secretary | Robert Baccon      |
|                        | David Player       |
|                        | Beverly M. Nawa    |
| f. Assistant Treasurer | Robert Baccon      |
|                        | David Player       |
|                        | Beverly M. Nawa    |

### **3. APPROVAL OF THE MINUTES OF THE MEETING OF DECEMBER 3, 2015.**

A copy of the minutes of the meeting of December 3, 2015, was distributed to the Board Members prior to this meeting. It is therefore recommended that consideration be given to the adoption of the following Resolution:

RESOLVED That the minutes of the SPSBA meeting of December 3, 2015, be and hereby are approved as presented.

Upon **MOTION** by **Ms. Pike-Nase**, and **SECONDED** by **Mr. Cohen**, and after full discussion, the above Resolution was unanimously approved at the SPSBA Board Meeting of March 24, 2016.

### **4. FINANCIAL REPORTS FOR THE MONTHS OF NOVEMBER 2015, DECEMBER 2015 & JANUARY 2016.**

The Financial Reports for the months of November 2015, December 2015 and January 2016 were emailed to Board Members prior to this meeting.

It is recommended that consideration be given to the adoption of the following Resolution:

RESOLVED That the Financial Reports of the State Public School Building Authority for the months of November 2015, December 2015 and January 2016 as received by this Board, be accepted and filed with the minutes of this meeting.

Upon **MOTION** by **Ms. Pike-Nase**, and **SECONDED** by **Mr. Helling**, and after full discussion, the above Resolution was unanimously approved at the SPSBA Board Meeting of March 24, 2016.

## **5. REVOLVING LOAN FUND.**

Mr. Baccon explained that we had no Revolving Loan closings since the December meeting and there are no pending projects.

## **6. APPROVAL OF PROJECTS.**

### **B. Resolution Authorizing the Undertaking of a Project on Behalf of Montgomery County Intermediate Unit No. 23.**

Mr. Baccon explained that Intermediate Units cannot own classroom space. He indicated that the Montgomery County Intermediate Unit No. 23 requested that we acquire by acceptance of a deed the title to the property owned by the IU that they wish to convert to classrooms. We would then lease the Property to the IU. The resolution in your agenda approves all of the actions necessary in connection with the issuance of the Bonds. Colleen Rush, and Ellen Enters, both of Fox Rothschild, the IU's solicitor are participating by conference call to answer any questions that board members may have.

Mr. Craig asked if we take title, are we the owners of the property and do we then have to get insurance coverage?

Mr. McCarty said that it is leased back to the Intermediate Unit and will have the same form as all responsibility pass through leases that we use for our lease based conduit financings. The only difference here is that there is no financing. All of the requirements for insurance coverage are included in the documents as they are in the standard documents.

Mr. Cohn asked if someone brings legal action against them and we hold title to the property, where does it go?

Mr. McCarty said that the Authority could be named as a defendant, but that is true of all of the financing projects. In addition to the entities insurance, he believes the Authority maintains their own insurance.

Mr. Craig asked if the Authority enjoys sovereign immunity and has it been recognized. He explained that PHEAA was stripped of their sovereign immunity in the fourth circuit and it has created quite a hub bub in state government. It has forced agencies to write briefs to the supreme court in support of it. He asked if anyone has checked to make sure we are a sovereign arm of the Commonwealth.

Mr. McCarty was not aware of any case. He had not been asked to research that but certainly would.

Mr. Craig suggested that we confirm that the Authority is a sovereign arm of the Commonwealth when we do these type of transactions.

Mr. Cohn asked if the Authority holds directors and officer's insurance.

Mr. Baccon answered that we do not hold a separate policy. We have our coverage through the Commonwealth.

Secretary Topper asked what the precedent was for this type of transaction.

Mr. Baccon explained that we have done numerous lease rental financings. Title would be given to the Authority and when the debt was paid off the title was reconveyed to the school district.

Ms. Pike-Nase asked how many intermediate units do we hold title to.

Mr. Baccon was not sure.

Ms. Nawa explained that we currently hold title to property for the Montgomery County Intermediate Unit.

Ms. Guyer said that the difference is that we will continue to hold title to this property until the intermediate unit no longer uses it for classroom space.

Secretary Topper clarified that Intermediate Units cannot own facilities that have classroom space but they can lease classroom space.

Ms. Pike-Nase asked about the intention?

Mr. Helling believed that it may have some notion to mainstreaming students with disabilities and that they should be educated with normal children.

Chairperson Heuer asked if there were any other questions on this project, and hearing none, he asked for a motion to approve the project.

**RESOLUTION OF THE  
STATE PUBLIC SCHOOL BUILDING AUTHORITY  
AUTHORIZING  
AN ACQUISITION AND LEASING PROJECT  
ON BEHALF OF  
MONTGOMERY COUNTY INTERMEDIATE UNIT NO. 23  
  
DOCKET NO. 2417**

**NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:**

1. Montgomery County Intermediate Unit, No. 23, Montgomery County, Pennsylvania (the "Intermediate Unit"), has requested the State Public School Building Authority (the "Authority") to undertake, as a project (the "Project"), pursuant to the State Public School Building Authority Act, as amended (the "Act"), of the Commonwealth of Pennsylvania: the acquisition, by acceptance of a deed (the "Deed") of transfer of fee simple title from the IU, as grantor, to the Authority, as grantee, of a parcel of improved real estate (the "Property") owned by the IU, and located in the Township of West Norriton, Montgomery County, Pennsylvania, as described in Exhibit "A" attached to and made a part of this Resolution; and the lease of the Property by the Authority, as lessor, to the IU, as lessee, pursuant to an agreement of lease ("Lease"), to accommodate classroom use of the Property by the IU.

2. The Authority does hereby authorize the acceptance of the Deed and acquisition of the Property, the execution and delivery of the Lease and any other document to which the Authority is a party and which is required in connection with the acquisition and leasing of the Property in furtherance of the Project, which Deed, Lease and such documents (collectively, the "Documents") shall be in such form as shall be acceptable to the Attorney General of the Commonwealth of Pennsylvania, the Office of General Counsel, and Authority counsel and as shall be approved by the Executive Director of the Authority.

3. The President, any Vice President or the Executive Director of the Authority are each hereby authorized to execute and acknowledge and deliver the Documents, as appropriate, in the name and on behalf of the Authority, and the Secretary or any Assistant Secretary are each hereby authorized to attest and affix the official seal, as appropriate to the Documents. The execution of such authorized Documents shall be deemed to conclusively evidence the approval of the documents by the Authority.

4. The appropriate officers of the Authority are hereby authorized to take such further action and to execute and deliver in the name and on behalf of the Authority any and all other documents or certificates, in addition to the Documents, as they shall deem necessary or advisable in connection with the furtherance of the Project and the implementation of this Resolution.

5. The appropriate officers of the Authority, including the President, any Vice President and the Executive Director are each hereby authorized to approve, and to execute and deliver any supplement, amendment or agreement (an "Amendment") providing for any amendment or other change to the Documents or other certificates, documents executed and delivered in furtherance of the Project requested by the IU and approved by all other necessary parties, provided that (a) the officer executing the Amendment shall have determined that the Amendment will not adversely affect the Authority and (b) the Authority shall have received an opinion from counsel in form and substance satisfactory to the Authority that the Amendment is permitted under the Act and the Documents.

6. This Resolution shall take effect immediately upon its adoption, and all prior resolutions or parts thereof inconsistent herewith are hereby repealed to the extent of such inconsistencies.

Upon **MOTION** by **Ms. Pike-Nase**, and **SECONDED** by **Secretary Topper**, and after full discussion the above Resolution was unanimously approved at the SPSBA Board Meeting of March 24, 2016.

## **EXHIBIT A**

### **Legal Description**

ALL THAT CERTAIN lot or piece of ground, situate in the Township of West Norriton, County of Montgomery and Commonwealth of Pennsylvania, bounded and described according to a Subdivision Plan, Montgomery County Association for Physically Handicapped Children, prepared by Donald H. Schurr, P.E., P.L.S., dated 12/11/1987 and recorded in Plan Book A-49 Page 496, as follows, to wit:—

BEGINNING at a point on the Northeasterly side of Main Street (no width given), which point is measured South 47 degrees 06 minutes East 168.03 feet from a point on the Southeasterly side of Colonial Avenue (60 feet wide); thence extending from said point of beginning, along Lands of Various Owners, North 42 degrees 42 minutes East 793.25 feet to a point, a corner of Lot No. 1 on said Plan; thence extending along the same, South 48 degrees 26 minutes East 350.93 feet to a point in line of Lands of Christian Concerns, Inc.; thence extending along the same, South 42 degrees 04 minutes West 515.0 feet to a point, a corner of Lands of Morton Cohen, and in the bed of Hartranft Ave. (50 feet wide) (Not Open); thence extending along and through the same, South 42 degrees 29 minutes West 286.47 feet to a point on the Northeasterly side of Main Street, aforesaid; thence extending along the same, North 47 degrees 06 minutes West 357.63 feet to the first mentioned point and place of beginning.

Being Lot No. 2 on said Plan, Containing 6.488 Acres, more or less.

Being Montgomery County Tax Parcel No. 63-00-06760-00-8.

**SUBJECT TO RESTRICTIONS OF RECORD.**

BEING the same premises which Montgomery County Association for Physically Handicapped Children, by Deed dated March 15, 2006, and recorded March 20, 2006 at Norristown in the Office for the Recorder of Deeds, in and for the County of Montgomery, Commonwealth of Pennsylvania, in Book 5593, Page 2853, granted and conveyed unto Montgomery County Intermediate Unit #23.

## **7. OLD BUSINESS.**

### **A. Authority Counsel.**

Mr. Baccon explained that as part of the OGC's competitive process for selecting legal representation, the Authority issued an RFP to select two Authority counsels. We entered into contracts with Duane Morris and Barley Snyder in November. Duane Morris recently requested a significant increase in the rate that they would be charging. The Authority staff expressed our concern to the OGC that we went through the RFP process and it would not be fair to grant an additional increase. The OGC agreed with our concerns. Therefore, Duane Morris concluded their representation of the Authority on February 29, 2016 because they were not granted the rate increase. The Authority will now be represented solely by Barley Snyder. We feel comfortable with having one counsel, but will revisit this issue if it presents problems. Duane Morris and their small diverse partner, Ahmad Zaffarese, are now free to work on Authority bond issues since they no longer serve as Authority counsel.

Secretary Topper asked if the RFP was recent.

Mr. Baccon said that it was just a few months ago. He also explained that they had not done any work other than to listen in on a board meeting.

Ms. Pike-Nase asked what the rates were.

Mr. Baccon said that the partners were supposed to be paid \$245 per hour and the associates were to be paid at \$145 per hour. They asked for a blended rate of \$390 per hour.

Mr. Craig believes that we are doing the right thing. For his purposes he doesn't care who the firm would put on the task as long as they are competent. He sets a cap. He views under \$400 as reasonable. He believes that they bid for the work and if they can't live with their bid then they should be out.

Chairperson Heuer asked if there was any other old business to come before the board.

Mr. Craig asked if it was the appropriate time to talk about the memorandum that Mr. Baccon sent to board members.

Chairperson Heuer agreed that it would be fine. He opened the floor to discussion.

Mr. Craig said that in the interest of transparency he recommended that the memorandum be included with meeting minutes.

Upon **MOTION** by **Mr. Craig**, and **SECONDED** by **Ms. Pike-Nase**, the memorandum sent by the Executive Director on March 10, 2016, regarding bond issuance and the competitive selection of bond counsel will be included as Appendix B with the minutes of the SPSBA Board Meeting of March 24, 2016.

Mr. Craig posed the question, does the board want to take action as a consequence of this or is it appropriate to wait another three months? He remembered when the OGC explained this process to the board, they were going to do an outreach to entities to explain the process and there would be no problem. He is hearing that there is a problem. He understands that it is not yet a financial problem to the Authority, but it may become one.

Chairperson Heuer asked for comments and suggestions from board members as to waiting or taking action.

Ms. Pike-Nase said that her department has been very vocal about the issue. The Auditor General believes that they have already said their piece repeatedly and more support has to come from the other members if it is something that is pursued further.

Mr. Craig suggested that at a minimum, the board receive an update every other month. Board members should be informed if institutions have gone in different directions.

Chairperson Heuer indicated that there is a possibility of a board meeting on April 21<sup>st</sup>. He suggested that Mr. Baccon provide an update then.

Mr. Baccon indicated that Dave Player had done some statistical work to share with board members. These sheets (included with the minutes as Appendix C) show where we have been and where we are.

Mr. Player explained that the information shows PHEFA projects issued by year and also bonds that have been refunded away during the current fiscal year. The combination of the OGC policy and the prevailing wage policy are the causes of bonds being refunded away.

Mr. Craig mentioned that he does not agree with the policy. Although it is well intended, it is completely missing the mark. He wondered if part of the problem that schools are facing is the unpredictability of the budgetary impasse and as a consequence they can't count on even the basic education subsidy. He wants to see what happens over the next several months. He realizes that does not apply to private colleges and universities. PHEAA does have an impact there. Treasury still remains opposed to the policy, but he would like to see what happens post budgetary.

Secretary Topper mentioned that he is a big fan of data and he finds the handouts very helpful. He said that it is public record when our potential customers go into the bond market. If we want to answer the question, how many universities/colleges in Pennsylvania who might have worked with us have gone into the bond market through some other authority, could we?

Mr. Player explained that those entities are listed on a handout given to the board. This sheet lists bonds that we had issued and have since been refunded away from us. A couple of the schools listed are smaller schools that probably aren't coming to us because of the prevailing wage policy.

Mr. Craig mentioned that the prevailing wage policy is only grabbing private schools. The prevailing wage requirement is a statutory requirement that already applies to public schools. It could explain away a portion of the private schools but it doesn't explain away public high schools.

Mr. Player handed out a similar sheet for SPSBA, showing projects issued by year.

Mr. Craig asked if the three school districts listed were pure refundings. In other words, they were incurring these whether they received school subsidy payments or not and they were done for pure savings purposes.

Mr. Baccon said that he was correct.

Mr. Craig believes that these are the most telling and the ones not on this list that may or may not have gone to us. There were three schools that made the calculus and it was not based on prevailing wage or school subsidy payments and they would rather go to the private sector than to us, as a consequence of the bond counsel selection policy.

Ms. Nawa said that more than likely they are being charged a fee if they are going to a local authority. On the school building side we do not charge a fee.

Mr. Craig said that the school is placing value on being able to pick their team and they are paying the bill.

Secretary Topper asked if the schools could be doing private placements.

Mr. Player said that they are probably issuing General Obligation (GO) bonds rather than coming to us. They came to us in the past because we offered programs on the issuance side, but unfortunately we had to do away with those programs because it was just too costly. We are not really a good candidate for a lot of school districts because they can just do a GO issue.

Mr. Baccon explained that the biggest impact to the new policy has been on the higher education side.

Mr. Player agreed and said that we collect fees on the higher education side.

Secretary Topper said that institutions of higher education cannot issue GO bonds. His understanding of the current environment is that we are in a period of low interest rates and if we were able to offer a better deal from an overall cost perspective in 2006 or 2005 than we are today, it comes down to how cheaply they can get the money else ware or by coming through an authority like ours. He provided an example of his experience working at Georgetown University where they found it more cost effective to use a private placement versus public financing. They ended up paying an interest rate that was comparable to what they could have gotten going through the city and it was less restrictive.

Mr. Player explained that interest rates are based on the underlying credit of the school, whether they come through us or another authority or a bank if it is a private placement.

Chairperson Heuer asked Mr. Baccon to keep the board informed.

## **8. NEW BUSINESS.**

Chairperson Heurer asked if there was any new business to come before the Board, and hearing none, he asked for a motion to adjourn.

## **9. ADJOURNMENT.**

There being no further business to come before the Board at this time, upon **MOTION** by **Ms. Pike-Nase**, and **SECONDED** by **Mr. Cohen**, the SPSBA Board Meeting was adjourned at 10:28 a.m.

## **SUNSHINE ACT MEETING NOTICES**

Thursday, March 17, 2016

If you need an accommodation due to a disability,

please contact the ADA contact name listed below

DEP, Sewage Advisory Committee Meeting, 3/22/2016, 10:30 AM, RCSOB, Rm. 105, HBG.,  
Contact: John Diehl 717-783-2941

PA Cancer Control, Prevention and Research Advisory Board Meeting, 3/24/2016, 9AM - 12PM, Red  
Lion Inn, 4751 Lindle Road, HBG, Contact: Sharon Sowers 717-547-3249

PA Human Relations Commission Meeting, 3/28/2016, 1PM, 333 Market St., 1st Fl., Honors Suite,  
HBG., Contact: Toni Crawford 717-783-8172

PA Fish & Boat Commission Meetings, 3/30/2016, 8AM, 1601 Elmerton Ave., HBG., Contact: Teresa  
Erdman 717-705-7801, Add'l meeting scheduled at 8AM on 3/31/2016.

DHS, Office of Developmental Programs, Information Sharing and Advisory Committee (ISAC)  
Meeting, 4/7/2016, 9:30AM - 3:30PM, Capital Ballroom, Red Lion Hotel, 4751 Lindle Rd., HBG.,  
Contact: Jacqueline Epstein 717-783-8302

PA Game Commission Board of Commissioners Meeting, 4/4/2016, 8:30 AM, PA Game Commission  
Bldg., 2001 Elmerton Ave., HBG., Contact: Joan French 717-787-7836, Add'l meeting scheduled at  
8:30 AM on 4/5/2016. Purpose of Meeting: To discuss Game Commission business.

Liquefied Petroleum Gas Advisory Board Meeting, SPECIAL, 4/6/2016, 1 PM, Labor & Industry  
Bldg., Rm. 1626 HBG., Contact: Traci Willman 717-787-6115

Chronic Real Disease Advisory Committee Meeting, 4/15/2016, 10 AM - 1 PM, Dept. of Health,  
Conf. Rm. 907, Health & Welfare Bldg., 625 Forster St., HBG., Contact: Carolyn Cass 717-772-  
2762

Workers' Compensation Advisory Council Meeting, SPECIAL, 5/4/2016, 11 AM - 1 PM, 1171 S.  
Cameron St., Rm. 326, HBG., Contact: Cynthia Kendell 717-886-9000, Add'l meeting scheduled  
7/20/16 and 10/20/16, same time and location. All attendees: see first floor security guard.

Special Supplemental Nutrition Program for Women, Infants and Children Meeting, 5/2/2016, 10  
AM - 3 PM, Family Health Council of Central PA, Inc., 3461 Market St., 3rd Fl., Camp Hill,  
5/13/2016, 10 AM - 3 PM, Broad Street Market, 1233 N. 3rd St., HBG., Contact: Amanda Killion  
717-783-1289

PA Industrial Development Authority (PIDA) Board Meeting, 6/1/2016, 10:15 AM, Keystone Bldg.,  
PUC Hearing Rm. #3, 400 North St., 1st Fl., HBG., Contact: Dennis Davin 717-720-1355

CANCELLED, State Board of Examiners in Speech-Language Pathology and Audiology Meeting,  
3/25/2016, 9:30 AM, 2601 N. Third St., HBG.

## **Appendix A**

Frey Lutz Corp. v. Comwlth. of PA, Dept. of General Services v. STV Architects Docket No. 4077,  
April 11 -22, 2016, 9:30 AM, Fulton Bldg., 6th Fl., Court Room No. 1, HBG., Contact: Lynn Ford  
717-787-3325

SPECIAL, State Ethics Commission Meeting, 4/7/2016, 9 AM, 307 Finance Bldg., Commonwealth  
Ave. & North St., HBG., Contact: Heather Mulhollan 717-783-1610

**SPECIAL, State Public School Bldg. Authority and PA Higher Educational Facilities  
Authority Meetings, 3/24/2016, 10:00 AM, Rm. 515 North Office Bldg., HBG, Contact: Bev  
Nawa 717-975-2204**

Appeared in: *Patriot-News* on Thursday, 03/17/2016

STATE PUBLIC SCHOOL BUILDING AUTHORITY  
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY  
Notice of the Meeting of the Board to be Held  
March 24, 2016

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Notice was in letterform, as follows:

This letter advises that a meeting of the State Public School Building Authority and the Pennsylvania Higher Educational Facilities Authority Boards will be held on **Thursday, March 24, 2016**, at **10:00 a.m.**, in **Room 515 North Office Building, Harrisburg**, Pennsylvania, for the purpose of: (a) electing officers for 2016; (b) approving certain projects for financing; and, (b) consideration of such other matters as may properly come before the Board.

Enclosed herewith is a copy of the notice that has been posted on the bulletin board in the Authority office, in accordance with Act No. 213, 1957.

I would appreciate it if you would make the appropriate notation on the attached slip, indicating whether or not you plan to be present at the meetings and return same to us.

Sincerely,

/s/ Robert Baccon

Robert Baccon  
Executive Director

Enclosures

\* \* \* \* \*

Harrisburg, PA

I CERTIFY that the notice on the previous page for the March 24, 2016, meetings was dispatched to the following on March 14, 2016, at the addresses indicated, constituting all of the members of the Board of the State Public School Building Authority and the Pennsylvania Higher Educational Facilities Authority.

Thomas W. Wolf, Governor of Pennsylvania  
225 Main Capitol Building, Harrisburg, PA  
Steven S. Heuer, Proxy for Governor Wolf  
333 Market Street – 18<sup>th</sup> Floor, Harrisburg, PA  
Lloyd K. Smucker, Designated by the President Pro Tempore of the Senate  
351 Main Capitol Building, Harrisburg, PA  
Andrew E. Dinniman, Designated by the Minority Leader of the Senate  
182 Main Capitol Building, Harrisburg, PA  
Stanley E. Saylor, Designated by the Speaker of the House of Representatives  
105 Ryan Building, Harrisburg, PA  
Anthony M. DeLuca, Designated by the Minority Leader of the House of Representatives  
115 Irvis Office Building, Harrisburg, PA  
Timothy A. Reese, State Treasurer  
129 Finance Building, Harrisburg, PA  
Eugene A. DePasquale, Auditor General  
229 Finance Building, Harrisburg, PA  
Curtis M. Topper, Secretary of General Services  
515 North Office Building, Harrisburg, PA  
Pedro A. Rivera, Secretary of Education  
333 Market Street - 10th Floor, Harrisburg, PA

GIVEN under my hand and seal this 14th day of March 2016.

/s/ Robert Baccon

Robert Baccon, Executive Director  
State Public School Building Authority  
Pennsylvania Higher Educational Facilities Authority

## **Bond Issuance and Competitive Selection of Bond Counsel**

At the December meeting, we informed the board that there are no pending projects and that several bonds have been refunded away by local authorities. Secretary Topper asked staff if there could be other factors leading to the decline in business other than the OGC change in bond counsel selection. He questioned if the terms of the bonds that were refunded away would be public information.

We contacted an underwriter to discuss and he indicated that the fees of the local authority were comparable. The decision to use a local authority was based on the ability of the college/university to name their own finance team (including bond counsel). PHEFA would have been the preferred choice if not for the policy of competitively selecting bond counsel. This is consistent with the responses we have received from our clients and the public finance community. In addition, the Department of the Auditor General spoke with a number of bond lawyers, underwriters, financial advisors and colleges/universities to gain firsthand knowledge on why the OGC policy discouraged them from using the Authority.

The Authority learns of a financing when contacted by a bond counsel, underwriter or financial advisor. The public finance professional then inquires as to the next board meeting date and discusses the timing requirements of the financing. Past efforts to market directly to schools have proven ineffective, since the schools rely on the advice of their bond counsels, underwriters and financial advisors. The Authority even employed a project administrator responsible for marketing, but that did not generate additional business. Public finance professionals are well aware of the new policy and have steered clients to other authorities.

Despite not charging a fee for SPSBA bond issues and providing services such as arbitrage rebate report preparation, issuance has been very light. Since 7/1/2015, we have completed only three SPSBA bond issues (two community colleges and an intermediate unit). PHEFA has completed only one financing during the same time period and it was for the State System of Higher Education, which is required to use the RFP process. Existing bond issues continue to be refunded away by local authorities. Schools believe so strongly in maintaining their bond counsel relationship that they are willing to pay more and receive less.

The competitive selection of bond counsel was designed to increase transparency and efficiency in securing legal counsel work for bond issues and to promote small diverse business participation. However, these objectives are mostly not being achieved since schools, colleges and universities have taken their business elsewhere. In a promising development, the University of Pennsylvania is on the current agenda with a refunding issue. This is the lone bright spot for PHEFA, where the lack of business is having a significant effect on fee income. While we remain busy accounting and servicing the nearly \$10 billion of SPSBA and PHEFA outstanding debt, we want to be the issuer of choice for Pennsylvania's schools, colleges and universities.

## PHEFA Projects by Year

Fiscal Year End	Number of Financings	Amount	Policy/Program Changes
6/30/16	1 *	\$ 102,365,000	
6/30/15	9	\$ 1,631,310,858	OGC Bond Counsel Policy
6/30/14	9	\$ 684,705,000	
6/30/13	14	\$ 589,300,000	
6/30/12	10	\$ 520,895,000	
6/30/11	13	\$ 1,012,930,000	
6/30/10	10	\$ 1,120,985,000	
6/30/09	7	\$ 795,965,000	
6/30/08	18	\$ 957,582,000	Prevailing Wage Policy
6/30/07	8	\$ 412,520,000	
6/30/06	19	\$ 956,085,000	
6/30/05	29	\$ 1,427,150,000	
6/30/04	22	\$ 537,695,000	
6/30/03	21	\$ 585,405,000	
6/30/02	20	\$ 465,490,000	
6/30/01	26	\$ 473,255,000	

\* 6/30/16 completed financings to date (as of 3/24/16)

- State System of Higher Education

## SPSBA Projects by Year

Fiscal Year End	Number of Financings	Amount	Policy/Program Changes
6/30/16	2	\$ 103,715,000	
6/30/15	12	\$ 228,060,000	OGC Bond Counsel Policy
6/30/14	9	\$ 271,722,784	
6/30/13	12	\$ 371,795,092	
6/30/12	11	\$ 370,747,000	
6/30/11	10	\$ 622,793,500	
6/30/10	11	\$ 114,070,000	School Subsidy Program discontinued
6/30/09	16	\$ 529,101,981	
6/30/08	11	\$ 222,545,000	
6/30/07	17	\$ 1,099,002,000	
6/30/06	10	\$ 84,798,678	
6/30/05	15	\$ 206,535,133	
6/30/04	17	\$ 791,345,000	
6/30/03	17	\$ 204,695,000	
6/30/02	10	\$ 122,535,000	
6/30/01	6	\$ 69,026,861	

**\* 6/30/16 completed financings to date (as of 3/24/16)**

- Montgomery County Community College
- Community College of Philadelphia

## **Bond issues refunded away FY 15-16**

### **PHEFA**

Allegheny College  
Delaware Valley University  
Elizabethtown College  
Moravian College  
Philadelphia University  
Slippery Rock University Foundation (2)  
Temple University  
University of Scranton  
York College of Pennsylvania

### **SPSBA**

Curwensville Area School District  
Rochester Area School District  
Harrisburg School District