

Meeting of the Board
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
December 3, 2015
Room 515 North Office Building
Harrisburg, Pennsylvania
11:16 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. Approval of the Minutes of the Meeting of August 13, 2015.
3. Authority – Project Update.
4. Audit Committee Report & Audit Charter.
5. Old Business.
 - A. Appointment of Authority Counsels.
6. New Business.
7. 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 Pennsylvania Higher Educational Facilities Authority was called to order on Thursday, December 3, 2015 at 11:16 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)
Kelly Phenicie, (Proxy for Senator Lloyd K. Smucker)
Lisa Felix, (Proxy for Senator Andrew E. Dinniman)
Danielle Guyer, (Proxy for Representative Stanley 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)

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

Robert Archie, Esquire, Duane Morris LLP
Meredith Carpenter, Esquire, Duane Morris LLP
Gerald Farrell, Esquire, Ahmad Zaffarese LLC
Monique DeLapenha, Esquire, Ahmad Zaffarese LLC

2. APPROVAL OF THE MINUTES OF THE MEETING OF AUGUST 13, 2015.

A copy of the minutes of the meeting of August 13, 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 PHEFA meeting of August 13, 2015, be and hereby are approved as presented.

Upon **MOTION** by **Mr. Helling**, and **SECONDED** by **Ms. Pike-Nase**, and after full discussion, the above Resolution was unanimously approved at the PHEFA Board Meeting of December 3, 2015.

3. AUTHORITY – PROJECT UPDATE.

Mr. Baccon explained that there were no new projects. We sent letters to our clients explaining the new RFP process. However, only Montgomery County Community College asked to have a meeting to discuss the process. Bev and I met with College staff in October. The College already uses an RFP to select bond counsel and understands that they will have to refine their process to adhere to the OGC's criteria. We continue to have bonds refunded away for both SPSBA & PHEFA. We only have one pending project.

Chairperson Heuer asked if there were any questions or comments concerning customers refunding away from SPSBA.

Secretary Topper asked where are our customers are going.

Mr. Baccon said that they are going to local authorities. York College of Pennsylvania went to a local authority. The other couple that we know of are the University of Scranton and Delaware Valley University. They also used local authorities.

Secretary Topper asked if we knew what kind of returns they were getting.

Mr. Baccon said that we did not.

Ms. Pike-Nase asked if there would be any more marketing.

Mr. Baccon said that we would pursue clients further, but it will be more difficult to sell now. Clients are accustomed to using their own financing team. This is a new process. Hopefully they will get accustomed to it.

Ms. Pike-Nase asked about email marketing and brochures.

Mr. Baccon thought that personal contact would be more beneficial. He said that our clients know who we are.

Ms. Pike-Nase said that we offer really excellent services to the school districts.

Mr. Baccon agreed. However, the biggest client that went somewhere else were on the PHEFA side not the SPSBA side.

Ms. Pike-Nase said that various members of this authority had expressed concerns and the Auditor General's Office did not agree with the letter that was sent out. She added that we are going into a new year without upcoming projects and that there may not be a project in January. She inquired as to the purpose of the Board.

Mr. Baccon said that the purpose is to approve projects that come before the Board.

Chairperson Heuer said that some good points were brought up. He suggested that the Board revisit this topic in January. He feels that the Board needs to decide on a strategy going forward. He thinks that the Board definitely needs to do something.

Secretary Topper questioned if the terms of the refunding bond issues of entities who have gone elsewhere would be public information.

Mr. Baccon said that, yes, it was public information and it would be discoverable.

Secretary Topper suggested that the Board discover the full terms of these financings. He said that while it is likely that the new RFP process is a significant factor, or maybe even the only factor, that has lead potential customers to go elsewhere, it is possible that there are other factors. He recommended that they investigate and conduct a marketing study to understand why customers are going elsewhere before jumping to the conclusion that it was caused by the RFP process for selecting bond counsel.

Ms. Pike-Nase said that the Auditor General's Office would agree.

Mr. Craig said that it would be good to defer that kind of assessment until January when there is a budget and a better idea of the financial health of the Commonwealth. He continued to say that the Board was warned, prior to implementation of this policy, that this would be the consequence. The Board was made well aware that entities preferred, had comfort in, and placed business value on, selecting and maintaining their own financing team. He said that this was made very clear by entities and board staff. It was over our objections that the Board adopted this policy. Now six months or more into the new policy we are seeing the consequences of it. The lost bond deals are refinancing deals that are going to the market and taking advantage of lower interest rates. Mr. Craig

said he doubts that local entities can get better financing terms and conditions than this financing agency could get. The primary difference is that the local authorities are a lot more flexible in allowing the customer to come in with their own financing team. He thinks that the Board should do its due diligence and have this conversation in January. He said it is possible another factor could be the financial problems of the Commonwealth and the failure of the Commonwealth to provide payments to schools. Mr. Craig reemphasized that the loss of customers should not come as a surprise. The Board was well informed of this. This policy was well discussed and deliberated. The Board adopted this policy because the Board thought that it would be a good thing to say. But it is now suffering the consequences that were predicted.

Chairperson Heuer said that this topic be revisited in the new year with all the facts laid out.

4. AUDIT COMMITTEE REPORT & AUDIT CHARTER.

Chairperson Heuer asked Ms. Pike-Nase to discuss the Audit Committee Report and Audit Charter.

Ms. Pike-Nase explained that the Audit Committee met on October 2, 2015 for the exit conference of the independent auditors. The Auditor General is the chair of the 5-member Committee. Maher Duessel is the Authority's new auditor. As in past years, the Authority received a clean opinion. Based on GASB Accounting Standards, unfunded pension liabilities of approximately \$1.7 million must now be reported. The exit conference went very well. The Audit Committee felt that the new auditors were getting a good handle on the Authority's finances and operations. The auditors told the Committee that the staff of the Authority was very cooperative and well organized. This was especially due to the excellent work of the Comptroller, Dave Player. The Committee, at the suggestion of Lisa Felix, made a minor change to the Audit Charter. This happens often during the annual review. The change was in the terms of the Committee membership and clarification of their status. We provided the Board with a new copy of the Audit Charter. Ms. Pike-Nase recommended that the audited financial statements be accepted by the Authority.

5. OLD BUSINESS.

A. Appointment of Authority Counsels.

Mr. Baccon explained that the Authority went through the RFP process to select our counsels. The committee consisted of Dave Player, Bev Nawa and himself from the Authority and Kelly Phenicie, representing Senator Smucker, Ernie Helling, representing Secretary of Education Rivera and Danielle Guyer, representing Representative Saylor. We received 8 proposals which were individually scored. The

Office of General Counsel combined the scores and we met to discuss the scoring. We were very pleased with the proposals we received. We selected Duane Morris out of Philadelphia and Barley Snyder out of Lancaster. Robert Archie will be the partner working with us from Duane Morris along with associate Meredith Carpenter. Duane Morris also has Ahmad Zaffarese, a small diverse firm, working with them. Monique DeLapenha is the partner from Ahmad Zaffarese who will also be working on the Authority matters. They are all on conference call today. Representing Barley Snyder is our former counsel from Hartman Underhill and Brubaker, Bill McCarty. Bill is in attendance today.

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

Mr. Craig wanted to clarify that while representing the Board the counsels cannot have a conflict and act as a bond counsel representing any school, college or entity issuing bonds through the Authority at the same time.

Mr. Baccon said that is correct. All of the counsels were made aware of that.

6. NEW BUSINESS.

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

7. ADJOURNMENT.

There being no further business to come before the Board at this time, upon **MOTION** by **Ms. Pike-Nase**, and **SECONDED** by **Mr. Helling**, the PHEFA Board Meeting was adjourned at 11:17 a.m.

SUNSHINE ACT MEETING NOTICES

Tuesday, December 1, 2015

If you need an accommodation due to a disability, please contact the ADA contact name listed below

CANCELLED: State Board of Examiners of Nursing Home Administrators Meeting: December 2, 2015, 9:00 AM. 2601 N. Third St., HBG.

Contact Name: Nicole Thurstin 787-6604

SPECIAL: Victims' Services Advisory Committee Meeting: December 2, 2015, 2:00 PM. PCCD Bldg., 2nd Fl. Conf. Rm., 3101 N. Front St., HBG.

Contact Name: Luanne Melia 265-8497

CANCELLED: State Board of Chiropractic Meeting: December 3, 2015, 9:00 AM. 2601 N. Third St., HBG. Also cancelled: State Board of Nursing on 12/4/15 at 9AM.

Contact Name: Nicole Thurstin 787-6604

SPECIAL: State Public School Building Authority and PA Higher Educational Facilities Authority Meetings: December 3, 2015, 10:30 AM.

North Office Bldg., Rm. 515, HBG. Contact Name: Bev Nawa 975-2204

Appeared in: **Patriot-News** on Tuesday,
12/01/2015

STATE PUBLIC SCHOOL BUILDING AUTHORITY
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
Notice of the Meeting of the Board to be Held
December 3, 2015

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, December 3, 2015**, at **10:30 a.m.**, in **Room 515 North Office Building, Harrisburg**, Pennsylvania, for the purpose of: (a) 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

* * * * *

Appendix A

Harrisburg, PA

I CERTIFY that the notice on the previous page for the December 3, 2015, meetings was dispatched to the following on November 19, 2015, 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 – 18th 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 Office 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 19th day of November 2015.

/s/ Robert Baccon

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