

Meeting of the Board
STATE PUBLIC SCHOOL BUILDING AUTHORITY
February 28, 2019
Room 515 North Office Building
Harrisburg, Pennsylvania
10:32 a.m. Prevailing Time

MINUTES

1. Call to Order, Filing of Proof of Sunshine Notice and of Sending Notice of the Meeting, and Announcement of Quorum
2. Election of Officers for 2019
3. Approval of the Minutes of the Meeting of September 20, 2018
4. Financial Reports for the Months of August, September, October, November December 2018 and January 2019
5. Revolving Loan Fund
6. Investment Activity
7. Audit Committee Report & Audit Charter
8. Old Business
 - A. Project Update
9. New Business
 - A. Purchase of Authority Bonds by Board Members/Proxies
 - B. Directors & Officers Insurance
10. 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, February 28, 2019 at 10:32 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 the meeting is attached to these minutes and identified as Appendix "A".

Board Members Present

Steven Heuer, (Proxy for Governor Thomas W. Wolf)
Stephanie Buchanan, (Proxy for Senator Ryan P. Aument)
Lisa Felix, (Proxy for Senator Andrew E. Dinniman)
Danielle Guyer, (Proxy for Representative Stanley Saylor)
Alan Cohn, (Proxy for Representative Anthony M. DeLuca)
Jennifer Langan, (Proxy for Treasurer Joseph M. Torsella)
Christal Pike-Nase, (Proxy for Auditor General Eugene A. DePasquale)
Secretary of General Services Curtis Topper
Patrick Lord, (Proxy for Secretary of Education Pedro A. Rivera)

Authority Personnel Present

Beverly Nawa, Acting Executive Director
David Player, Comptroller

Also Present

William McCarty, Esquire, Barley Snyder LLP

Participated Via Conference Call

Amy Farber, Treasurer, Duquesne University
Linda Eremita, Executive Vice President, George K Baum & Company
Andrew Maher, Esquire, Cohen & Grigsby, P.C.
Daniel Turner, Esquire, Turner Law, P.C.

Chairperson Heuer welcomed Patrick Lord, proxy for the Secretary of Education and Stephanie Buchanan, proxy for Senator Aument. He explained that Bev and Dave met with Patrick last week and Stephanie this week to welcome them to the board and provide background information about the Authority.

2. ELECTION OF OFFICERS FOR 2019

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 their designees. 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 Aument and Dinniman and Representative Saylor as the Vice Presidents, Treasurer Torsella as the Treasurer and Secretary Topper as Secretary. He also recommended Bev Nawa and Dave Player be elected 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 **Ms. Pike-Nase**, and **SECONDED** by **Mr. Cohn** at the SPSBA Board Meeting of February 28, 2019, 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 | Ryan P. Aument |
| Vice President | Andrew E. Dinniman |
| Vice President | Stanley E. Saylor |
| c. Secretary | Curtis M. Topper |
| d. Treasurer | Joseph M. Torsella |
| e. Assistant Secretary | Beverly M. Nawa |
| | David Player |
| f. Assistant Treasurer | Beverly M. Nawa |
| | David Player |

3. APPROVAL OF THE MINUTES OF THE MEETING OF SEPTEMBER 20, 2018

A copy of the minutes of the meeting of September 20, 2018, 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 September 20, 2018, be and hereby are approved as presented.

Upon **MOTION** by **Ms. Pike-Nase**, and **SECONDED** by **Ms. Langan**, and after full discussion, the above Resolution was unanimously approved at the SPSBA Board Meeting of February 28, 2019.

4. FINANCIAL REPORTS FOR THE MONTHS OF AUGUST, SEPTEMBER, OCTOBER, NOVEMBER, DECEMBER 2018 & JANUARY 2019

The Financial Reports for the months of August, September, October, November, December 2018 & January 2019 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 August, September, October, November, December 2018 and January 2019 as received by this Board, be accepted and filed with the minutes of this meeting.

Upon **MOTION** by **Ms. Pike-Nase**, and **SECONDED** by **Ms. Langan**, and after full discussion, the above Resolution was unanimously approved at the SPSBA Board Meeting of February 28, 2019.

5. REVOLVING LOAN FUND

Ms. Nawa explained that we had three projects close since our last board meeting. Butler County Community College closed two projects and Community College of Allegheny County closed one project.

6. INVESTMENT ACTIVITY

Ms. Nawa explained that the Authority purchased an FDIC insured CD to maintain a laddered investment portfolio. She mentioned that Dave can answer board members questions.

Chairperson Heuer asked if board members had any questions.

Mr. Cohn asked about the rate.

Mr. Player said that the rate was 2.71% for five years.

7. AUDIT COMMITTEE REPORT & AUDIT CHARTER

Chairperson Heuer asked Ms. Pike-Nase, as chairperson of the Audit Committee, to brief the board on the Audit Committee meeting.

Ms. Pike-Nase explained that the Audit Committee held their annual meeting on October 25th and they met with the Authority's independent auditors, Maher Duessel, to review the financial statements of both authorities. The Audit Charter was also reviewed.

As in previous years, the Authority received an unqualified opinion. Tracey Rash, Partner, Maher Duessel was at the meeting and she stated that Dave Player and others at the Authority were very helpful and cooperative during the audit.

The Authority's net operating position was restated to approximately \$2.5 million with the adoption of GASB 75, which deals with post-employment benefits other than pensions.

The Audit Charter was also revised to reflect a five-year audit contract instead of a four-year audit contract as it was in previous years.

Ms. Pike-Nase and the Audit Committee recommended that the audited financial statements and the revised Audit Charter be accepted by the Board.

Ms. Pike-Nase also explained, for the benefit of the new board members, that the Audit Committee is made up of five members and is chaired by the Auditor General. The other members include the Governor's proxy, Senator Dinniman, Representative Saylor and Treasurer Torsella or their proxies.

Upon **MOTION** by **Ms. Pike-Nase**, and **SECONDED** by **Secretary Topper**, and after full discussion, the audited financial statements were unanimously accepted by the SPSBA Board at the Board Meeting of February 28, 2019.

8. OLD BUSINESS

A. Project Update

Ms. Nawa said that she and Dave have met with past and present clients. So far meetings have been with Reading Area Community College and Montgomery Community College. More meetings are scheduled in March with Northampton County

Community College, Lehigh Career and Technical Institute, Pennsylvania Highlands Community College and the Community College of Philadelphia. She received a response from Colonial Intermediate Unit and will be setting up a meeting there. She explained that visiting schools is something that has not been done before and it has been enjoyable.

The Community College of Philadelphia is going to issue bonds this spring through the Authority, so there will be a Board meeting in April.

Secretary Topper asked Ms. Nawa to share feedback from the meetings.

Ms. Nawa answered that one of the main objectives was to talk about the RFP process to explain how some other schools have used it and have felt comfortable with it. There has been a good response with that. She said Reading Area Community College issued bonds with another local Authority and she hopes the Community College will consider our Authority next time.

Chairperson Heuer thanked Ms. Nawa and requested that we keep the Board apprised with updates or emails regarding how things are going.

Secretary Topper commended Ms. Nawa for her efforts on getting out and visiting clients. He believes it was a good initiative to take on. He said, despite all the constraints that we all carry as public entities, in terms of how we do business, in the end, people do business with people they like. He also said there is no substitute for shoe leather. Just because public entities have to go through all of this process, you cannot rely on this process alone.

Secretary Topper said again he wanted to commend Ms. Nawa's effort because it was really a wise thing to do. He explained it is going to be a competitive marketplace for the Board for the foreseeable future. The more we get out in front of customers we can explain why to do business with us, if they have these other choices. He loved what Ms. Nawa is doing.

Ms. Nawa thanked Secretary Topper.

Chairperson Heuer asked if there was any other old business to come before the Board, and hearing none, he moved to new business.

9. NEW BUSINESS

A. Purchase of Authority Bonds by Board Members/Proxies

Chairperson Heuer explained that a question was asked if it would be a conflict of interest for Board Members or proxies to purchase Authority Bonds.

Chairperson Heuer explained Bill McCarty did some research and can elaborate on this issue.

Ms. Pike-Nase asked how these questions came up and who posed them.

Chairperson Heuer answered that Mr. Cohn asked that we check into this because we don't want to be at risk personally or professionally.

Mr. McCarty explained when purchasing bonds, assuming they are going to be on the open market, you are going to purchase bonds on the price set forth on the open market. You are going to go through your broker to buy one of these bonds. The two things that might come into play are the Governor's Executive Order 2015-01, which focuses on gifts. If someone is going to give you a bond, that could be a problem.

The other thing is the Ethics Act. The primary aspect of the Ethics Act asks if it is a conflict of interest. If it is a market transaction it should not be. Secondly, is it undue influence? If there is some discussion going on with somebody you shouldn't be talking to about approving a project, before you buy the bonds or they are approaching you about it, that could be a problem. Otherwise, simply buying those things after the meeting, or if you know you are going to buy them before the meeting and you want to be totally transparent, you could abstain from voting.

Ms. Pike-Nase indicated under the Ethics Act, there is a requirement it must be disclosed in writing.

Mr. McCarty agreed.

Ms. Pike-Nase explained that the disclosure is very important and that is a concern.

Mr. Cohn clarified that his question wasn't about a board member trying to directly buy a specific bond that is coming before the Board. He was concerned with owning mutual funds with Authority bonds without knowing it and could we somehow get ourselves in trouble.

Ms. Langan said that because it is not self-directed, she did not see a problem.

Chairperson Heuer added that Mr. McCarty previously said that the purchase of mutual funds with Authority bonds is not a conflict of interest.

Ms. Langan asked if there were any restrictions on who can buy Commonwealth Financing Authority (CFA) and the Commonwealth's General Obligation (GO) bonds.

Chairperson Heuer answered he would have to ask their legal counsel.

Ms. Langan would like to know about CFA and the GO bonds before they put out an opinion. She wondered if they should get an opinion from the Ethics Commission. She indicated, assuming they are open market transactions, that's fine.

Ms. Pike-Nase said if the funds are co-mingled in a mutual fund that is not the issue.

Mr. McCarty agreed.

Chairperson Heuer added one of their biggest holders is Vanguard, so how do you get out of that?

Ms. Langan said that if Mr. McCarty does a legal opinion, it should be in the context of a mutual fund.

Chairperson Heuer asked Mr. McCarty to look at it and contact him. They will talk about the GO and CFA and put together one thing. Also, will walk through direct purchase as well as mutual funds and try to cover all categories, so that they are all comfortable with it.

Mr. McCarty agreed to further research the issue. He added that if there is some discomfort on this then they could approach the Ethics Commission with the question.

B. Directors & Officers Insurance

Chairperson Heuer explained the next question. Is it necessary for the Authority to have Directors & Officers (D&O) Insurance? D&O Insurance is offered by DGS through a third-party private insurer. Dave spoke with DGS in 2016 and learned that only a few agencies have this type of coverage. Would board members like to further discuss or do some more research?

Ms. Pike-Nase stated that the Auditor General had a few questions. Who would pay for the insurance? Is it the agency itself or is there some other manner in which it is going to be paid for?

Chairperson Heuer replied that the Authority would pay for it.

Ms. Pike-Nase questioned the need for this coverage since they are covered by sovereign immunity, especially the Directors and only issue conduit debt.

Mr. McCarty explained when you do conduit deals you are not responsible for facilities and you are not responsible for building the facilities. There is an indemnity to you. Your documents require indemnity from the borrowers. There is a release of liability of the members of the Board in the documents. You are covered as a Commonwealth agency. Unless you are doing something nefarious, misrepresenting or doing some other thing that would not be covered by the Sovereign Immunity Act then you are within its exceptions. You are not violating any of the exceptions that allow it.

Secretary Topper asked if the risks are de minimus.

Mr. McCarty said yes.

Chairperson Heuer said he does not believe the Board needed to pursue this item further as long as everyone is comfortable.

Secretary Topper added that the DGS Bureau of Risk and Insurance Management estimated this coverage would cost \$80,000 per year, but would have to be officially quoted to move forward.

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

10. ADJOURNMENT

There being no further business to come before the Board at this time, upon **MOTION** by **Secretary Topper**, and **SECONDED** by **Ms. Pike-Nase**, the SPSBA Board Meeting was adjourned at 10:51 a.m.

SUNSHINE ACT MEETING NOTICES THURSDAY, FEBRUARY 14 2019

SUNSHINE ACT MEETING NOTICES

Thursday, February 14 2019

Please utilize the ADA contact name listed below if you need an accommodation due to a disability, to check on the meeting status during inclement weather, to inquire about phone/online participation options, etc. Dates listed at the end of a line indicate additional dates when the same meeting will be held at the same time and location (unless otherwise indicated).

Rescheduled, Victim Services Advisory Committee Meeting, 2/19/2019, 10 AM, PA Commission on Crime and Delinquency, Commission Rm., Ground Fl., 3101 N. Front St., Harrisburg, PA, Contact: Pamela Bennett 717-265-8485, Rescheduled 2/12/19 mtg. that was cancelled due to inclement weather.

State Civil Service Commission Hearing, 2/21/2019, 10 AM, 4th Fl., Public Hearing Rm., 320 Market St., Harrisburg, PA 17108, Contact: Keri Seitz 717-783-2926

State Transportation Commission (STC) Meeting, 2/21/2019, 9 AM, PennDOT, Keystone Bldg., 8th Fl., Harrisburg, PA, Contact: Karen Heath 717-787-2913, Report to the 5th Fl. receptionist where you will be escorted to the 8th Fl.

The State Horse Racing Commission Meeting, 2/26/2019, 1 PM, Farm Show, Monongahela Rm., 2301 North Cameron St., Harrisburg, PA, Contact: Stephanie Pavlik 717-787-5539, Enter on McClay St., entrance side and use the elevator or stairs.

Rescheduled, State Board of Social Workers, Marriage and Family Therapists and Professional Counselors Meeting, 2/26/2019, 9:30 AM, 2601 N 3rd St., Harrisburg, PA, Contact: Molly Smith 717-214-1891, Mtg. rescheduled from 2/12/19 due to weather.

Special, State Public school Building Authority Meeting, 2/28/2019, 10:30 AM, North Office Bldg., Rm. 515, Harrisburg, PA, Contact: Bev Nawa 717-975-2204

Special, PA Higher Educational Facilities Authority Meeting, 2/28/2019, 10:30 AM, North Office Bldg., Rm. 515, Harrisburg, PA, Contact: Bev Nawa 717-975-2204

OVR State Board Meeting, 3/7/2019, 9 AM, Radisson Hotel Harrisburg, 1150 Camp Hill Bypass, Camp Hill, PA 17011, Contact: Cheryl Novak 215-781-1073

9-1-1 Board Meeting, 3/7/2019, 10 AM, PEMA Headquarters, Rm. 112, 1310 Elmerton Ave., Harrisburg, PA, Contact: Tammy Wilson 717-651-2237

Rescheduled, PA Milk Marketing Board Meeting, 3/8/2019, 12:30 PM, Agriculture Bldg., Rm. 309, Harrisburg, PA, Contact: Timothy Moyer 717-787-4194, Mtg. location changed

Interstate State Council Meeting, 3/11/2019, 1 PM, PA Board of Probation and Parole Central Office, Riverfront Office Center, Board Rm. 1101 S Front St, 5th Fl., Harrisburg PA , Contact: Donna Gelsinger 717-728-5324

Appeared in: **Patriot-News** on Thursday, 02/14/2019

STATE PUBLIC SCHOOL BUILDING AUTHORITY
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
Notice of the Meetings of the Board to be Held
February 28, 2019

The State Public School Building Authority and the Pennsylvania Higher Educational Facilities Authority Boards will meet on **Thursday, February 28 2019**, at **10:30 a.m.**, in **Room 515 North Office Building, Harrisburg**. The meetings are to: (a) elect officers for 2019; (b) approve projects for financing; and (c) consider other matters as may properly come before the Board.

Please complete the attached response and return to me via e-mail.

Sincerely,

Beverly M. Nawa
Acting Executive Director

* * * * *

Harrisburg, PA

I CERTIFY that the notice on the previous page for the February 28, 2019, meeting was dispatched to the following on February 11, 2019, at the addresses indicated, constituting all of the members of the Board of the State Public School Building 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
Joseph B. Scarnati III, President Pro Tempore of the Senate
173 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
245 Main Capitol Building, Harrisburg, PA
Anthony M. DeLuca, Designated by the Minority Leader of the House of Representatives
115 Irvis Office Building, Harrisburg, PA
Joseph M. Torsella, 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 11th day of February 2019.

Beverly M. Nawa

Acting Executive Director
State Public School Building Authority
Pennsylvania Higher Educational Facilities Authority