

SCHOOL FACILITIES BOARD
September 17, 2003
Phoenix, Arizona

The School Facilities Board held a board meeting at the School Facilities Board Offices 1700 West Washington, Suite 230 Phoenix, Arizona. The meeting began at approximately 10:10 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Conley, Patrice (phone)	Judy Richardson, Stone & Younberg
Granillo, Peter (phone)	Grant Hamill, Stone & Youngberg
Keenan, Brooks (phone)	Chuck James, Squires, Sanders & Dempsey
McGee, Kate (phone)	
Van Sittert, Logan, Chair	
Vaughan, G. Keith (phone)	
Wicks, Michael	
Vicki Salazar, Superintendent's Representative (non-voting)	
<u>Members Absent</u>	
Wright, John, Vice-Chair	
<u>Staff Present</u>	
William Bell, Executive Director	
Tim Brand, Facilities Deputy Director	
Candy Cooley, Deputy Director of MIS	
John Arnold, Deputy Director of Finance	
Judith Darknall, Assistant Attorney General	
Deborah Dominguez, Executive Assistant	
Kristen Landry, Public Information Officer	

Welcome

Logan Van Sittert welcomed the School Facilities Board.

- I. Call to Order
The Board Chair, Logan Van Sittert, called the meeting to order at approximately 10:10 A.M.
- II. Roll Call
There were 9 Board Members present at this meeting, including Vicki Salazar of ADE, a non-voting member.
- III. Consideration of Approval of Land Trust Bond Resolution

John Arnold provided background information to the Bond Resolution. He stated that the Legislature adopted the budget last June and gave the SFB authority to

issue \$247 million in bonds that would be secured from the State Education Land Trust. Staff went forward with the understanding that the state would be able to issue those bonds on a tax exempt basis. Bond Counsel reviewed the statutory language, but could not certify that the bonds would meet the federal requirements to be issued tax-exempt.

Logan Van Sittert asked if these are tax-exempt at the state level. John Arnold confirmed these are tax exempt for Arizona, but not at the federal level.

John Arnold continued that there were two options. The first would be to issue the bonds as taxable, but that would be costly. The second option would be to approach the IRS and ask them to consider ruling these bonds as tax-exempt. This would take 3-6 months which would not be enough time to meet the cash flow needs of the Deficiency Corrections program. An alternative would be to issue a short term variable rate bonds that could be converted to a long term fixed tax exempt bonds following discussions with the IRS. JCCR approved the short term variable rate bond at its last meeting. The short term variable rate bonds would be taxable.

The short term variable rate bonds would be remarketed on a monthly basis at a variable rate bond auction. Keith Vaughan asked if there is a cost to selling the bonds each month. John Arnold said hat we contract with an auction agent and trustee and pay them to remarket the bonds on a monthly basis. Grant Hamill stated the rate is 25 basis points added to the interest or about \$60,000-70,000 per year.

Pat Conley asked what the potential of selling the short term bonds on the variable rate is. Grant Hamill explained the actual investors may change monthly. He stated the estimated interest rate is 1.1-1.2%

Kate McGee asked if JCCR has this information, Bill Bell confirmed that they do. John Arnold explained that the taxing issues came up in July and staff put together the options at that time. JCCR approved this plan in August.

Keith Vaughan asked Chuck James if he approved of the resolution. Mr. James stated that this is a gray area of the tax law, but that the case with the IRS to approve the bonds as tax-exempt is strong. He stated if they are unsuccessful with the IRS they will look at the most cost effective strategy for the Board to have a taxable financing in place for the long term.

Logan Van Sittert asked when we absolutely need the money. John Arnold indicated that we need the money by October.

Mike Wicks moved that the Board approve the resolution for land trust bonds as presented by staff. Keith Vaughan seconded. Motion passed on an 8-0 roll call vote.

Pat Conley would like the Board take another look at this prior to entering the next phase. John Arnold explained that this resolution only issues the variable rate debt and staff would have to bring the fixed rate resolution back to the Board.

IV. Discussion of Annual Board Retreat

Bill Bell suggested that instead of an Annual Retreat the Board hold statewide meetings for feedback from School Districts.

Logan Van Sittert, speaking on behalf of John Wright, stated that the board could hold 3-4 meetings with superintendents before the next legislative session. These meetings could be held in the 90 minutes before our regularly scheduled monthly meetings.

Mike Wicks asked if there was a list of topics. Bell Bell stated that the meeting would be more for feedback from districts rather than discussions by staff.

Keith Vaughan suggested the Board identify items to be discussed such as: how the SFB is working, Preventive Maintenance, Bonds, Deficiency Corrections. He is in support of going around the state.

Pat Conley suggested the Board go the Administrator's meetings. She expressed concern that the SFB does travel around the state and very few people attend.

Kate McGee has concerns regarding attendance and quorum as there are three board members whose terms are expiring in January. She suggested legislators be involved as well.

Pat Conley stated that the retreat is to focus on the upcoming year and asked if we would be doing that. Logan Van Sittert stated that at this time nothing is planned for that and any concerns the board has should be put on an agenda.

Keith Vaughan said we could meet around the state and pull together a committee to go through what the Board receives as feedback.

Kate McGee asked to see a preliminary budget at the November meeting.

V. Discussion of Recognition of Ed Boot

Bill Bell indicated that Ed Boot would remain on staff until January. He suggested Mr. Boot put together a synopsis of the Students FIRST program. Mr. Van Sittert suggested a luncheon for Mr. Boot sometime in December.

VI. Public Comment

None

Adjournment

There being no further business Board Chair, Logan Van Sittert, adjourned the meeting at approximately 10:55 A.M.

Approved by the School Facilities Board on _____, 2003

Logan Van Sittert, Chair