

Meeting of the Board  
**STATE PUBLIC SCHOOL BUILDING AUTHORITY**  
February 9, 2012  
**Room 302 Irvis Office Building**  
Harrisburg, Pennsylvania  
10:30 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 January 12, 2012.
3. Financial Report for the Month of December 2011.
4. School Subsidy Program Report.
5. Revolving Loan Fund.
6. Old Business.
7. New Business.
8. 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 9, 2012 at 10:30 a.m. prevailing time, in Room 302 Irvis 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**

Rick Dreher, (Proxy for Governor Thomas W. Corbett)  
Eileen Flinn, (Proxy for Senator Andrew E. Dinniman)  
Representative John C. Bear  
Christopher Craig, (Proxy for State Treasurer Robert M. McCord)  
Christal Pike-Nase, (Proxy for Auditor General Jack E. Wagner)  
Secretary of General Services Sheri L. Phillips  
Lori Graham, (Proxy for Secretary of Education Ronald J. Tomalis)

**Board Members Absent**

Senator Jeffrey E. Piccola  
Representative Anthony M. DeLuca

**Authority Personnel Present**

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

**Also Present**

William McCarty, Esquire, Hartman Underhill & Brubaker LLP  
Stephen Tuckey, Esquire, General Counsel, Office of the Republican Leader of the House of Representatives  
Joel Snaveley, Director of Treasury, State System of Higher Education  
David Twaddell, Esquire, Rhoads & Sinon LLP

### **Participated Via Conference Call**

Margaret Angel, Esquire, Buchanan Ingersoll & Rooney, PC

Charles Brodbeck, Esquire, Cohen & Grigsby, PC

Jackie Brown, Director of Financial Operation, Foundation for Indiana University of Pennsylvania

Dean Richardson, Esquire, Eckert, Seamans, Cherin & Mellot, LLC

Gavin Murrey, Managing Director, Morgan Keegan & Company

Kevin Cunningham, Esquire, Ballard Spahr LLP

Thomas Cooper, Assistant Vice President of Finance, University of Pennsylvania Health System

Helen Kreider, Associate Treasurer, University of Pennsylvania

## **2. APPROVAL OF THE MINUTES OF THE MEETING OF JANUARY 12, 2012.**

A copy of the minutes of the meeting of January 12, 2012, 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 January 12, 2012, be and hereby are approved as presented.

Upon **MOTION** by **Ms. Flinn**, and **SECONDED** by **Secretary Phillips**, and after full discussion, the above Resolution was approved at the SPSBA Board Meeting of February 9, 2012.

## **3. FINANCIAL REPORT FOR THE MONTH OF DECEMBER 2011.**

The Financial Report for the month of December was 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 Report of the State Public School Building Authority for the month of December 2011 as received by this Board, be accepted and filed with the minutes of this meeting.

Upon **MOTION** by **Ms. Flinn**, and **SECONDED** by **Representative Bear**, and after full discussion, the above Resolution was approved at the SPSBA Board Meeting of February 9, 2012.

#### **4. SCHOOL SUBSIDY PROGRAM REPORT.**

Mr. Baccon explained that we have one remaining project. The Mon Valley Career & Technology Center will receive the remaining \$50,000 contribution when their project closes.

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

Mr. Baccon explained that no Revolving Loan Fund projects closed since the January meeting and there are no pending projects.

#### **6. OLD BUSINESS.**

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

#### **7. NEW BUSINESS.**

Chairperson Dreher asked if there was any new business to come before the Board.

Mr. Craig explained that Treasury is concerned about the manner in which debt is being considered and potentially approved, not that they are opposed to it, for school districts that are designated distressed by the Pennsylvania Department of Education (PDE). The Chester Upland School District matter was prior to their insistence that the board be informed of credit worthiness. Looking at the minutes, there wasn't much of a discussion or notification at the time that Chester Upland was designated as distressed. Although it was well reported in the paper, he is not suggesting that there was any attempt to not discuss it. When a school district is designated as distressed it is normally designated under six or seven different categories. When we were considering the debt issuance for Chester Upland, there was never a discussion about its designation of being distressed or why it was designated as distressed. It is concern to the department because they were requested in the Chester Upland matter and in School District of Philadelphia when they recently did a private refinancing to execute an Intercept Agreement. These agreements say each time there is a state payment, that a sum of money will be intercepted by the Treasurer and put to the Trustee of the bond indenture to pay for the debt service. It makes PDE and the Commonwealth sort of a guarantor of the loan. It means that they are going to first pay debt and then pay other expenses. His office was never notified or involved in litigation involving PDE or the Commonwealth and the Chester Upland School District. There was a mandamus order out of the federal court that the Treasury Department received that required them to submit about \$3.2 million directly to the school district for the payment of salaries. It

affectively flipped the Intercept Agreement on its head. Their concern is that Intercept Agreement as they are currently written only requires acknowledgements of PDE. They are not a party to the agreement. He believes that the position Treasury is going to take is that PDE should be a formal party to the Intercept Agreements so that they would sign on to it. Treasury would insist on language that all Board members, including the Treasurer are advised as to whether or not any entity appearing before the Board is distressed or not, the reason for the distressed status and if after the issuance of the bonds there is a change in the status, Treasury and the Board members are notified of that change and the reason for that change. Also, that the Board and Treasury are advised if PDE or the Commonwealth is involved in any litigation that may implicate the bond issuance or the Intercept Agreement. He believes that it is important for the Board to be fully aware of the status of the school districts and that the Treasury Department be informed of litigation that may impact the Intercept Agreement.

The other Intercept Agreement which has not been executed is the School District of the City of Philadelphia. Outside of this Board the school district has refinanced debt that this Board previously approved. He does not know the business reason for the refinancing but, they have come to Treasury well after the fact and asked for an Intercept Agreement. Again, the school district is a distressed school district. They will likely execute the agreement at the appropriate time. This raises another concern. This is slightly different because it is refinancing of existing debt as opposed to the Chester Upland case which was at least partially new construction.

Ms. Flinn explained that part of the difficulty with Chester Upland School District is that they are not legally under a declaration of distress. The declaration was lifted by PDE in 2006 and 2007. Senator Dinniman and Senator Piccola have repeatedly requested that PDE declare the district as distressed. The Secretary of Education has said that under the provisions of the School Code, the district no longer meets the criteria. There are only two school districts that are legally under fiscal distress under Pennsylvania law and those are Duquesne City School District and Philadelphia School District.

Mr. Craig said that it would be great to know that from PDE, that there has been concerned that it may be distressed and that members of the General Assembly have raised that and while it is not formally distressed, there is enough information out there to suggest that the financial stability of the school district is very much in question.

Mr. Craig explained that the concerns that Treasury and the Auditor General raised several months ago, trying to bring more information to the Board members because of their fiduciary duty. He would want to know if there is a legislative inquiry about the financial status of the school district, because they are stuck in a position of having to execute an Intercept Agreement that says that PDE and the Commonwealth as a matter of policy, is going to guarantee those bonds. That is why the school district got the higher rating. Without the Intercept Agreement the bond issuance would have been way more expensive and probably wouldn't have been done.

Chairperson Dreher asked if it is reasonable for the Authority staff to check with PDE before a school district transaction is brought to the Board as to whether the school district is in distress. That could be included in the summary information submitted to the Board.

Mr. Craig asked if PDE as a matter of course, when staff sends an e-mail indicating that this school district is coming to the board with a project, at that point PDE could say that they are distressed or they are not distressed but we are looking at them and we have concerns about their financial stability.

Mr. Craig indicated that this is the kind of communication that we need because the Governor cannot say that he is not willing to back this debt because he has.

Mr. Baccon said that staff can check with PDE.

Mr. Baccon explained that the Reading Area Community College is going to coming to the Board with a project and that the Board will be receiving an e-mail about this project.

Chairperson Dreher asked if there was any other new business, and hearing none, he asked for a motion to adjourn.

## **8. ADJOURNMENT.**

There being no further business to come before the Board at this time, upon **MOTION** by **Ms. Flinn**, and **SECONDED** by **Ms. Pike-Nase**, the SPSBA Board Meeting was adjourned at 10:43 a.m.

Meeting Notices

Meeting Notices

Contact Name: Connie Hartlaub - 787-9495

**Managed Care Delivery System Subcommittee Meeting - February 09, 2012, 10:00 AM.** The Child Welfare Training Ctr., 403 E. Winding Hill Rd., Mechanicsburg.  
Time: 10 AM - 12 PM  
Contact Name: Allinda Burrell - 705-8232

**PA Fish and Boat Commission, Boating Advisory Board Meeting - February 09, 2012, 9:00 AM.** PA Fish and Boat Commission, (Susq. Conf. Rm.), 1601 Elmerton Ave., HBG.

If you wish to attend the meeting and require an auxiliary aid, service or other accommodation to participate in the proceedings, contact the agy, at 717-705-7834 or the PA AT&T Relay Service at 1-800-654-5984 (TDD) to discuss how the Commission may accommodate you.

Contact Name: Jean Davis - 705-7834

**SPECIAL: State Public School Building Authority Meeting - February 09, 2012, 10:30 AM.** Irvis Office Bldg., Rm. 302, HBG.

Add'l Special Mtg., PA Higher Educational Facilities Authority, same above date/time & location.

Contact Name: Bev Nawa - 975-2204

**Long Term Care Subcommittee Meeting of the Medical Assistance Advisory Committee Meeting - February 14, 2012, 10:00 AM.** Forum Place, 5th Fl., Conf. Rm. B & C, 555 Walnut St., HBG. Time: 10 AM - 12 PM

Contact Name: Yvette Sanchez-Roberts - 265-7569

**State Civil Service Commission Meeting - February 15, 2012, 10:30 AM.** 320 Market St., 4th Fl. Meeting Rm., HBG.

Contact Name: Michael Sullivan - 787-5343

**2012 PA Minority Business Development Authority (PMBDA) Board Meetings - February 16, 2012, 10 AM.** Commonwealth Keystone Bldg., 4th Fl., Conf. Rm. 4 East, 400 North St., HBG.

Add'l Mtgs.: 3/15, 4/19, 5/17, 6/21, 7/19, 8/16, 9/20, 10/18, 11/15, 12/20 same above time/location.

Contact Name: C. Alan Walker - 787-3003

**Consumer Subcommittee Meeting of the Medical Assistance Advisory Committee - February 22, 2012, 1:00 PM.** Health & Welfare Bldg., Rm. 327, HBG.

Time: 1 PM-3:30 PM

Contact Name: Daniel Sorge - 772-6341

**Medical Assistance Advisory Committee Meeting - February 23, 2012, 10 AM.** Temple University HBG, Lecture Hall 246/248, 234 Strawberry Sq., HBG.

Time: 10 AM- 12 PM

Contact Name: Daniel Sorge - 772-6341

**Organ Donation Advisory Committee Meeting - March 01, 2012, 10:00 AM.** Giant Community Ctr., Giant Food Store, 2nd Fl., 3301 Trindle Rd., Camp Hill.

Time: 10 AM - 3 PM

Contact Name: Cyndi Malinen - 346-3975

**RESCHEDULED: DEP, Air Quality Technical Advisory Committee Meeting - March 14, 2012, 9:15 AM.** RCSOB, Rm. 105, HBG.

Contact Name: Connie Hartlaub - 787-9495

STATE PUBLIC SCHOOL BUILDING AUTHORITY  
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY  
Notice of the Meeting of the Board to be Held  
February 9, 2012

---

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, February 9, 2012**, at **10:30 a.m.**, in **Room 302 Irvis 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  
Assistant Executive Director

Enclosures

\* \* \* \* \*

Appendix A

Harrisburg, PA

I CERTIFY that the notice on the previous page for the February 9, 2012, meetings was dispatched to the following on January 25, 2012, 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. Corbett, Governor of Pennsylvania  
225 Main Capitol Building, Harrisburg, PA  
Rick Dreher, Proxy for Governor Corbett  
7<sup>th</sup> Floor, Verizon Tower, Harrisburg, PA  
Jeffrey E. Piccola, Designated by the President Pro Tempore of the Senate  
173 Main Capitol Building, Harrisburg, PA  
Andrew E Dinniman, Designated by the Minority Leader of the Senate  
183 Main Capitol Building, Harrisburg, PA  
John C. Bear, Designated by the Speaker of the House of Representatives  
145B East Wing, Harrisburg, PA  
Anthony M. DeLuca, Designated by the Minority Leader of the House of Representatives  
115 Irvis Office Building, Harrisburg, PA  
Robert M. McCord, State Treasurer  
129 Finance Building, Harrisburg, PA  
Jack E. Wagner, Auditor General  
229 Finance Building, Harrisburg, PA  
Sheri L. Phillips, Secretary of General Services  
515 North Office Building, Harrisburg, PA  
Ronald J. Tomalis, Secretary of Education  
333 Market Street - 10th Floor, Harrisburg, PA

GIVEN under my hand and seal this 25th day of January 2012.

/s/ Robert Baccon

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