



PUBLIC SCHOOL CREDIT ENHANCEMENT BOARD MINUTES

General Meeting – November 29, 2016 10:30 A.M.

Location: 1700 W. Washington
3rd Floor Conference Room
Phoenix, AZ 85007

Members Present: Kirk Adams, Mark Swenson

Members Absent: Governor Doug Ducey, State Treasurer Jeff Dewitt, Craig Brown

Staff Present: Dawn Wallace, Nikki Lazarus, Kristin Sorensen

Call to Order, Welcome & Introductions

Kirk Adams called the meeting to order at 10:32 A.M.

Presentations

Kurt Freund and John Snider from RBC Capitol presented on the finance structure of the Arizona Public School Credit Enhancement Program. Kurt stated that the Credit Enhancement Program was developed to provide access to lower cost facility capital for public schools. It does that by targeting areas of exhibited demand for high quality seats and need for high quality education opportunities. The program will reduce borrowing costs by creating an “insurance fund” that will guarantee a timely payment on school bonds. It is funded by a fixed and limited amount of \$100 million. Bonds that are enhanced by the program will receive an AA- credit rating which will provide the annual savings to the school. The program will enhance the bonds of eligible school districts or charter schools by guaranteeing the timely payment of principal and interest on bonds. These bonds will be one of the following: revenue bonds, which are what charter schools issue; general obligation bonds, which are issued by school districts; or lease-purchase financings for school districts. The Credit Enhancement Eligibility Board will be responsible for managing and directing the program. The board will decide whether or not to accept a school’s application based on general guidelines and requirements established in law. The program is funded through initial deposits, participation fees, investment income, repayments, gifts, grants and donations, and any other monies appropriated by law. They included the payment for a bond insurer, but at this time they do not believe it will be needed.

There were no questions from Mr. Adams and Mr. Swenson.

Dr. Marc Osborn next presented a review of the achievement district proposed rules. The rules give definition to what it means to be in the achievement district, and what schools need to do to qualify for the credit enhancement program. The idea was that some schools would want to apply for just the

achievement district, while others might want to apply for both. Requirements to participate in the Achievement District are academic performance, enrollment demand, financial planning and community support and serving low-income students. Ratings are school specific, not district specific. Requirements to participate in the Credit Enhancement Program are similar to those for the Achievement District; however, schools must also demonstrate financial viability and describe how the funds are to be used. Charter schools must provide additional information on the board and key staff, academic outcomes for two years, enrollment statistics by grade for the past five years, five years of projected enrollment, additional financial information and sufficient liquidity. Charter schools must be charged a fee for financing; however, district schools do not have that requirement. For the financial terms, public input was used to create the ratios for debt-service coverage while all other terms are typical. Dr. Osborn lastly mentioned the rules to guide the board's selection of schools.

Dawn Wallace then spoke on the timeline for implementation. She mentioned that there will be a website to house all of the information. She said they anticipate the launch of the application process to be in January 2017, which is predicated on an additional meeting of the Board to adopt final rules.

Mr. Adams motioned to authorize staff to initiate the rule making process. Mr. Swenson seconded. The motion carried.

Public Comments

None

Adjourn

With no further business before the Board, Mr. Adams adjourned the meeting at 11:09 A.M.