

Member at Large Report
March 13, 2013
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Public Review (Jeff Mangum's group) and Consultant review Reports engendered a large number of questions. This meeting is to set in place best practices in response to those questions and suggestions. Our Supervisor and his team requested direction from the School Board going forward.

Annual Board training on Bonds and other funding. Industry experts and staff. It's training needs to be regular and ongoing.

Discussion: TG good idea. The Board narrowed down to the idea of training once then an annual review.

Annual Board review of Bonds outstanding. Are we seeing growth? Are the projects meeting expectations? Tie this in to training for number one. AV (I confess to forgetting what this abbreviation is now, we need to look at the School Board's Minutes) Growth Model. AP suggested Financing Binders for the board, and electronic for those that want it. Last year's AV is in August. Updates after approval, even before the bond reach the market place.

Lots of ideas about getting a truly unbiased wave of advice, eliminating the perception of impropriety. Ms Beatty had several suggestions - Infusing competition, consider doing competitive sale to auction bonds rather than a negotiated deal (Ms Beatty reiterated this a few times during the evening.) Services should be paid at the time of the services rather than when the deal closes. Core advisors should be decoupled from the completion of the process. The rest of the board still seems to feel that it's a public perception issue.

There were counter arguments; there are some benefits to a long term relationship, certain efficiencies... But we might look at a hybrid system where we let the market work but keep the idea of efficiency and familiarity as a criterion. It was pointed out by many board members that right now there is a need to build up the public's trust.

Burden is on the Board to be more transparent. Explain the decisions for the public. Review those decisions. Our advisors should be doing this now. Odds are in the favor of competitive bidding, getting better rates and spreads. We are including investment bankers in the teams, we should differentiate those members. The sales team should be separated out.

Suggestions were made to start the documents earlier, avoid one meeting approvals. A two meeting minimum. Board members need to review all the documents and attest to the facts. (Or perhaps knowing the facts, I was adjusting microphones I may have missed the fine distinction there.) By the end of the discussion it was clear that the Board wants to keep the one meeting approval as an option.

The primary reason given is:

While pre-pre-pricing three to seven days rather than two, gives time to feel out the market it is on the outside side of being accurate and actionable.

Green sheets need to have a "Common English" portion. Especially a first meeting presentation. Keeping the idea of a two meeting minimum. Use the right words to draw the public into the discussion, before we make the decision. Use the language, current concerns and proper buzz words to encourage attendance before, rather than after, decisions are made. (If they don't follow through on this, perhaps we might do so for our members when the agenda packets are published.)

AV record of public board meetings. Have the staff investigate, costs, pitfalls, etc. Make the audio more available. Having the whole truth available is the counter. There was considerable resistance to this based on past experience with quotes being taken out of context, etc.

Board receives in a public fashion, better more comprehensive data. (We did see an example of this later in the evening.)

Should we set policy, or just allow the state to set the limits by state law. (The latter is what we've always done.) AB794 codifies what we've done the last three years.

We need to do the very best for our students, the Board needs to be the limiting entity based on the current market. This maintains the most flexibility.

Everyone who works on the Bond signs off on the Bond, not just the Board.

The second part of the meeting was a well done example of the sort of complete analysis that is needed. There were four plans presented, from an outright bond and borrow it all now, through doing nothing. The current bond market, even in the most expensive case, was at or under a two times payback to borrowing rate. Much better than the 9 times we got on our most recent offering. While two of the plans offered an early call, they were projected to be a tad bit more expensive.

During the particulars, Ms Beatty brought up an interesting clause which appears to hold all of our advisors and presenters blameless for anything that occurred in the preparation and prior to the Bond Presentation. She voted against the item based on that objection. I did find it interesting that the rest of the board was not willing to entertain the suggestion by the Board President about amending the measure or to temporarily eliminate the section, nor to table the item until the questions could be answered.