

**MEETING OF THE BUSINESS AFFAIRS COMMITTEE
OF THE BOARD OF TRUSTEES
Community College of Philadelphia
Wednesday, March 1, 2017 – 10:30 A.M.**

Present: Ms. Suzanne Biemiller (Chair – *via* conference); Mr. Matthew Bergheiser (*via* conference), Mr. Steve Herzog (*via* conference), Mr. Joseph Martz (*via* conference), Dr. Donald Generals, Mr. Jacob Eapen, Mr. Todd E. Murphy, Mr. James P. Spiewak, Victoria Zellers, Esq., and representing Phoenix Capital Partners, Mr. Andre Allen, Principal

AGENDA – PUBLIC SESSION

(1) Selection of the Financial Institution for the 2007 Bond Refinancing (Action Item):

Discussion: Mr. Eapen reported that the College had issued RFPs and RFQs for the 2007 Bond Refinancing. The RFPs were sent to 9 banks for direct purchase of College bonds. RFQs were sent to 9 underwriters to serve as Managing Underwriter for the Bond Refinancing. The responses were due on February 24, 2017. Mr. Eapen discussed the two approaches and the evaluation process that the staff and the Financial Advisor compiled. Mr. Andre Allen, the College's Financial Advisor, explained how the College approached the refinancing utilizing an "independent market assessment." He discussed the pros and cons of a public offering versus a private placement as well as the potential savings the transaction will generate. Mr. Eapen discussed the staff's concerns about having to have Moody's rate the transaction given certain areas of concern. Therefore, given the increased issuance costs of a public offering and the needed assessment of the College's rating agency, Moody's, staff and the Financial Advisor have recommended a direct bank placement with PNC Bank. The direct bank placement with PNC Bank in the amount of \$14,135,000 will provide a projected NPV savings in this transaction of approximately \$612,000. Attached herewith are the analysis of the results of the RFP and RFQ (Attachment A).

Action: Mr. Herzog moved and Mr. Martz seconded the motion that PNC be selected as the financial institution for the 2007 Bond Refinancing in the amount of \$14,135,000. The motion passed unanimously. A full resolution will be presented and voted upon at the Board meeting on March 2, 2017.

(2) Selection of a Bond Counsel for Bond Refinancing (Information Item):

Mr. Eapen reported to the Committee that, as required by the General Counsel of the Commonwealth of Pennsylvania through the State Public School Building Authority, the College had issued an RFP to 45 firms prequalified by the General Counsel to be selected as Bond Counsel for the College's 2007 Bond Refinancing transaction. The responses were due on February 27, 2017. Mr. Allen outlined the criteria for rating the Bond Counsel as presented in (Attachment B). He discussed the specific methodology used and how the firms were rated. Ms. Biemiller questioned why a particular respondent received a lower ranking in the "qualification of firm" category. Mr. Allen explained that he was concerned with the size of the firm and their ability to provide a legal tax opinion needed for this type of tax exempt refinancing. Based on the direction of the Committee, Mr. Eapen stated that he and Mr. Allen will reach out to the respondent to clarify their experience in this area and report back to the Committee.

(3) Next Meeting Date:

The next regularly scheduled meeting of the Committee is scheduled for Wednesday, March 22, 2017 at 10:00 A.M. in the Isadore A. Shrager Boardroom, M2-1.

ATTACHMENT A

RFP & RFQ RESULTS

Community College of Philadelphia
Proposed Current Refunding of Series 2007 Bonds
Summary of Responses to Request for Proposal and Qualifications

**Business Affairs Meeting
March 1, 2017**

The College has the opportunity to refund its outstanding Series of 2007 Bonds which were issued in February of 2007. The 2007 Bonds have a balance of \$14,135,000 outstanding at an average coupon of 4.19% with a final maturity of May 1, 2023. On February 10, 2017, the College distributed separate Requests to Underwriting Firms for Qualifications to serve as underwriter for a public offering of tax-exempt bonds and to Financial Institutions for a Proposal for a Bank Loan or Purchase of privately placed tax-exempt bonds. A total of nine (9) underwriting firms received the RFQ and three (3) responded on February 17, 2017. Also, a total of nine (9) financial institutions received the RFP and only one (1) responded on February 24, 2017. Below is a brief summary of the responses based on estimated savings from the refunding and the interest cost:

Request for Qualifications for Underwriter – Public Offering

Firm	Janney Montgomery Scott	RBC Capital Markets	PNC Capital Markets
Yield	2.03%	2.09%	2.21%
Average Credit Spread	+42.5 bps	+50.0 bps	+62.0 bps
Present Value Savings	\$628,000	\$588,000	\$644,000
% Savings	5.3%	4.2%	5.4%

Benefits

- Lower costs of capital
- Fixed rate for the life of the bonds

Considerations

- Higher costs of issuance
- Review of current credit issues by Moody's
- Longer time period to execute

Request for Proposal for a Bank Loan – Private Placement

Firm	PNC Capital Markets
Yield	2.438%
Present Value Savings	\$612,000
% Savings	5.2%

Benefits

- Ease of Execution
- Structuring Flexibility
- Lower costs of issuance

Considerations

- Higher costs of capital
- Standard terms and conditions could trigger increase in rates in the future

Conclusion and Recommendation

Each of the respondents are very familiar with the College and the credit and while the underwriting proposals generated higher savings, it is our opinion that the Bank Loan is the best vehicle to capture the savings at this time. A public offering will require more documentation, higher fees such as the expanded counsel services, rating agency, and official statement, and a meeting/discussion with the rating agency. As the College proceeds with its capital plan and potential issuance of bonds in the near future, the public offering will certainly be more appropriate and effective given the larger bond size and credit stability. The Bank Loan will not be finalized or executed unless the final level of savings is approved.

ATTACHMENT B

BOND COUNSEL RFP

SPSBA (School District of Philadelphia)
Bond Counsel RFP Responses - Summary of Scoring

<u>Alpha List of Respondents</u>		<u>Scoring</u>	<u>Fee</u>	<u>SDB</u> <u>%</u>
1	Zarwin Baum Devito Kaplan Schaer Toddy, PC	2.70	\$50,000	20%
2	Dinsmore & Shohl, LLP	3.50	\$30,500	30%
3	Eckert Seamans Cherin & Mellott, LLC	4.10	\$28,000	20%
4	Andre C. Dasent, P.C,	3.30	\$18,000	100%
5	Kutak Rock, LLP	3.50	\$60,000	33%
6	King Spry Herman Freund & Faul, LLC	3.50	\$15,500	0%
7	Dilworth Paxson, LLP	3.10	\$28,500	0%
8	Duane Morris, LLP	3.40	\$30,000	0%
9	Cozen O'Connor	3.90	\$29,000	40%
10	Ballard Spahr, LLP	4.10	\$18,000	10%

SPSBA (School District of Philadelphia)
Bond Counsel RFP Responses - Summary of Scoring

	<u>Rank Order by Highest Score</u>	<u>Scoring</u>	<u>Fee</u>	<u>SDB</u> <u>%</u>
Rank				
1	Ballard Spahr, LLP	4.10	\$18,000	10%
2	Eckert Seamans Cherin & Mellott, LLC	4.10	\$28,000	20%
3	Cozen O'Connor	3.90	\$29,000	40%
4	Dinsmore & Shohl, LLP	3.50	\$30,500	30%
5	Kutak Rock, LLP	3.50	\$60,000	33%
6	King Spry Herman Freund & Faul, LLC	3.50	\$15,500	0%
7	Duane Morris, LLP	3.40	\$30,000	0%
8	Andre C. Dasent, P.C,	3.30	\$18,000	100%
9	Dilworth Paxson, LLP	3.10	\$28,500	0%
10	Zarwin Baum Devito Kaplan Schaer Toddy, PC	2.70	\$50,000	20%