

BOARD OF EXAMINERS MEETING

December 15, 2020

1. A. Call to Order and Confirmation of Attendance

Governor Steve Bullock, as President of the Board of Examiners (Board), called the meeting to order on December 15, 2020, at 4:04 p.m. in the Office of Budget Program Planning of the State Capitol with Secretary of State Corey Stapleton and Attorney General Tim Fox on the phone.

Staff and advisors present were: John Lewis, Mark Bruno, Marty Samuelson, and Crista Delsigne, Department of Administration; Tom Livers and Ryan Evans, Office of Budget and Program Planning (OBPP); John Tubbs and Anna Miller Department of Natural Resources & Conservation (DNRC); and on the phone was Kim Peck, Department of Administration; Courtney Ellis and Dan Semmens of Dorsey & Whitney LLP; America Murillo, Piper Sandler.

B. Approval of Minutes of Board of Examiners Meeting November 16, 2020.

Motion and Vote: Governor Bullock called for a motion to approve the minutes of the Board of Examiners meeting of November 16, 2020. Attorney General Tim Fox so moved, and Secretary of State Corey Stapleton seconded. The motion passed unanimously.

C. John Lewis, Director, Department of Administration: Overview of Agenda

John Lewis briefly described the items on the agenda.

Agenda Item #2 A presentation by Anna Miller with DNRC regarding Refunding and New Money Bonds under HB 8 Authority.

Agenda Item #3 America Murillo with Piper Sandler will discuss the Coal Severance Tax Bonds 2020 Refunding Series L Taxable and 2020 Series M Taxable including a Presentation of Response to Request for Proposals. A Recommendation to Accept Response and Commitment Agreement.

Agenda Item #4 and #5 will be handled by Dan Semmens of Dorsey and Whitney and will be talking about the resolutions needed for the Coal Severance Tax Program 2020 Refunding Series L Taxable Bond and the 2020 Series M Taxable Bonds.

Agenda Item #6 A presentation by Anna related to the need for a Bond Anticipation Note for Lockwood Irrigation District for Project Costs under HB 8 Authority.

Agenda Item #7 Dan will discuss the Supplemental Resolution needed for the Coal Severance Tax Bond Anticipation Note and the Renewable Resource Program Taxable Series. This is in the Maximum Principal Amount of \$750,000.

Agenda Item #8 is any other business for the Board.

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2. Department of Natural Resources and Conservation (Anna Miller): Coal Severance Tax Refunding and New Money Bonds: The three items today are the issuance of the 2020L, 2020M authorizing HB 8, and 2020N is a new item up for Lockwood who sent up an SOS signal during Thanksgiving break. For item 2020L we are going to be refinancing those four bond issues: 2010 C, 2013B, 2016A, and 2020B. These are the back end of the payments for these bonds and the interest rates are quite high. The refunding bonds are a wonderful interest rate. We requested at the last meeting that we would refinance \$12,500,000 which we were coming up with by the time we did the numbers \$11,965,000. The new money that we need, if you look at page 2 of HB 8, we were authorized to do \$8,000,000 worth of new bonds. These are projects that come to us in the course of a year. They have not done an application, but they have some work that they need to do and their associated debt service. The original authorization at the November meeting asked for \$1,7000,000, which came out to \$2,680,000 with the new money and the associated debt service. So, we are asking for an increase in that.

2020N will be the Lockwood irrigation project. They had a pipe blowout and have had issues with their irrigation system for years. They are authorized in HB 8 for \$750,000 worth of authority. They must hold a debt election. They must go around and get signatures of the participants in the irrigation district, so we are asking for this note for when they are ready and get all their due diligence finished.

3. Piper Sandler & Co. (America Murillo): Coal Severance Tax Refunding and New Money Bonds: A few weeks ago, a request for proposal was sent out to about 18 banks. We received proposals from US Bank, Capital One and First Interstate Bank. On reviewing the responses, we are going with Capital One which is in the best interest for the State in terms of competitive interest rates and less requirements, which provide flexibility to the State for potential future issuances. For the two series of bonds the interest rates were 1.62% and 1.94%. The reason for the difference is the amortization schedule and the average life difference between the two series of bonds. As you know, one series of bonds was the refunding of four previous issues and the second one, series 2020M, was the one for new capital needs. The refunding generated about \$1.4 million in savings or 11.3%. The state generally has pursued refunding if they can achieve over 5% savings. It is the recommendation of the State's Financial Advisor to accept the response from Capital One to issue and expect to close on December 23rd.

John Tubbs thanked both Piper Sandler and Dorsey and Whitney's review working with the Budget Office and our office. US Bank had a competitive proposal but had some specific constraints that were difficult to fit in to the bond cycle of the state and they indicated a resistance to make any changes to those conditions. He feels it is a solid decision to go with Capital One and feels they are competitive rates. This is a much better deal for the State in the long run, because of the terms of the agreement.

Motion and Vote: Governor Bullock called for public comment. Dan said the Commitment Agreement might be kind of odd, but it is what Capital One wanted and is the same as a Bond Purchase Agreement. He wanted to clarify that. Hearing no more comments Governor Bullock then called for a motion to adopt the Bond Purchase Agreement. Secretary of State Corey Stapleton so moved, and Attorney General Tim Fox seconded. The motion passed unanimously.

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4. Dorsey & Whitney (Dan Semmens): Supplemental Bond Resolution Authorizing Coal Severance Tax Program 2020 Refunding Series L Taxable Bond:

Item #4 is the Bond Resolution approving the 2020 Series L Taxable Bonds which are the refunding bonds. These terms are good in that they are generally in accordance with typical Coal Severance Tax Bond Resolutions. They do not depart from them, which was one of the problems with the US Bank proposal. In some ways the terms are better, for example, the optional redemption at any time on a 30-day notice with a \$200,000 minimum prepayment. The terms were good on that proposal and this supplemental resolution reflects those terms. The structure of the debt services such that the State will receive meaningful annual savings on a year-by-year basis. There will be annual savings as the result of the refunding. The item before the Board is item #4 which is the 2020 Refunding Series L Taxable Supplemental Resolution.

Motion and Vote: Governor Bullock called for public comment. Hearing none, he then called for a motion to approve the 2020 Series L Bond Resolution. Attorney General Tim Fox so moved, and Secretary of State Corey Stapleton seconded. The motion passed unanimously.

5. Dorsey & Whitney LLP (Dan Semmens) Supplemental Bond Resolution Authorizing Coal Severance Tax Program 2020 Series M Taxable Bond:

Dan thanked the Governor and members of the Board. Item #5 regards authorizing the 2020 Series M Taxable Bond. This relates to the general HB 8 authority under the Coal Severance Tax Program in new money. There has been high demand for the funds and there was a parameter in the initial resolution of a maximum principal amount of \$1,700,000. This resolution has the effect of amending that parameter to allow the issuance of the bonds and the principal amount of \$2,680,000. The interest rate under these bonds is 1.94% per annum. Other than the difference in the interest rate they have substantially the same terms as the Series L Bonds. The items before the Board in item #5 is the 2020M Series Taxable Supplemental Resolution.

Motion and Vote: Governor Bullock called for public comment. Hearing none, he then called for a motion to approve the 2020M Bond Resolution. Secretary of State Corey Stapleton so moved, Attorney General Tim Fox seconded. The motion passed unanimously.

6. Department of Natural Resources and Conservation (Anna Miller): Bond Anticipation Note for Lockwood Irrigation District:

This is the anticipation of a loan being made to the Lockwood Irrigation District. They are primarily beet farmers here. They had 2 huge pipes that carry water blow out. We have been working with them for about 4 years and finally they said we really need to fix these. This is a request for them to get their engineering done, work with them to do their debt election and put everything together and then they can come back to us and we can loan them the \$750,000. We will start out with a loan from the Board of Investments.

7. Dorsey & Whitney LLP (Dan Semmens) Supplemental Resolution relating to the State of Montana Coal Severance Tax Bond Anticipation Note, Department of Natural Resources and Conservation, Renewable Recourse Program, Taxable Series in the Maximum Principal Amount of \$750,000.00 (the "CST Taxable Note Supplemental Resolution) Dan

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thanked the Governor and members of the Board. The Lockwood Irrigation District is having a bond election on February 23, we hope it will pass. Right now, the irrigation system is not functional so one would hope it would pass, so they will actually have water in their ditches. Assuming it passes, we will proceed with the closing of the Bond Anticipation Note that is authorized if you should do so at this meeting.

Dan read the resolution – **The item before the Board is the Supplemental Resolution relating to the State of Montana Coal Severance Tax Bond Anticipation Note, Department of Natural Resources and Conservation, Renewable Recourse Program, Taxable Series in the Maximum Principal Amount of \$750,000.00.**

Governor Bullock asked presumably if it did not pass in February, if we would not do anything. Anna responded that we would not do anything. John Tubbs said that it will pass. He said they have a lot of value in it and it is a multi-million-dollar annual gross on irrigation.

Motion and Vote: Governor Bullock called for public comment. Hearing none, he then called for a motion to approve the CST Taxable Note Supplemental Resolution. Attorney General Tim Fox so moved, and Secretary State Corey Stapleton seconded. The motion passed unanimously.

Governor: Other Business:

The Governor asked about any other business before the Board. Anna thanked the staff, Board members and everyone involved. She said in the last 4 years just for DNRC they have issued approximately \$15,000,000 worth of debt, done approximately 138 projects which totaled \$350,000,000. Anna talked to Cary Hegreberg, who was the head of the Montana Contractors Association for years, and asked when a project is done, how much does that generate? She said at least 3 times. These \$350,000,000 in projects probably generated over \$1,000,000,000 worth of economic driver which is an important thing. She thanked everyone again and said it is a lot to be proud of.

Attorney General Tim Fox said he appreciates everyone on the call and in the background with DNRC, Piper Sandler & Co., and Dorsey & Whitney, Governor's Budget Office, and his colleagues, the Governor and Secretary of State. You guys don't get enough accolades for what you do. As Anna summarized, this is real meaningful work, impactful work that benefits not just the localities where the projects happen, but it is a benefit for all of our State. You can all be proud of what you do. The good news is this work will go on after the 3 of us move off into the sunset.

Hearing no more comments the Governor called for a motion to adjourn the meeting.

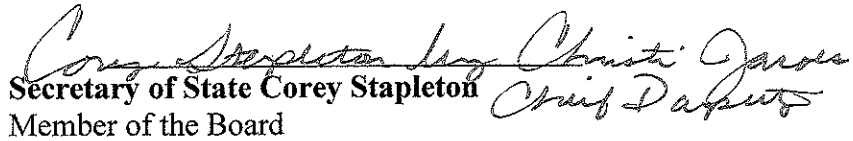
The motion was made to adjourned by Attorney General Fox and seconded Secretary of State Corey Stapleton. The meeting adjourned at 4:32 p.m.

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Governor Steve Bullock
President of the Board

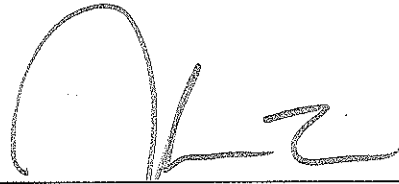


Secretary of State Corey Stapleton
Member of the Board

Christi Jacobs
Chief Deputy



Attorney General Tim Fox
Member of the Board



John Lewis
Executive Secretary