These minutes are Approved and Final. Full Board review and decision took place at the November 19, 2013 Regular Meeting of the Board.

MONTANA BOARD OF INVESTMENTS
DEPARTMENT OF COMMERCE
2401 Colonial Drive, 3rd Floor
Helena, Montana

SPECIAL CONFERENCE CALL BOARD MEETING
MINUTES OF THE MEETING
October 9, 2013
2:00 PM

BOARD MEMBERS PRESENT:
Mark Noennig, Chairman
Gary Buchanan
Karl Englund
Quinton Nyman
Jack Prothero
Jon Satre
Sheena Wilson
Marilyn Ryan

BOARD MEMBERS ABSENT
Kathy Bessette

LEGISLATIVE LIAISONS PRESENT:
Senator Dave Lewis
Representative Kelly McCarthy

STAFF PRESENT

Geri Burton, Deputy Director
Dana Chapman, Board Secretary
David Ewer, Executive Director
Julie Flynn, Bond Program Officer
Louise Welsh, Senior Bond Program Officer

CALL TO ORDER

Chairman Mark Noennig called the Special Conference Call Meeting of the Board of Investments (Board) to order at 2:03 PM in the Small Conference Room on the third floor at 2401 Colonial Drive, Helena, Montana. As noted above, a quorum of Board Members was present.

ADMINISTRATIVE BUSINESS

Public Comment
Chairman Noennig called for public comment on Board issues. There was no public comment.

QUALIFIED ZONE ACADEMY BONDS – Resolution No. 232 & No. 233

Qualified Zone Academy Bonds (QZAB) – Kalispell Elementary and High School Districts – Geri Burton, Deputy Director
Deputy Director Geri Burton presented two proposed Qualified Zone Academy Bonds submitted for Board Approval. Kalispell Elementary School District and Kalispell High School District are requesting the Board to purchase its $619,800 and $1,587,228, respectively, limited obligation school district bonds by issuing two QZABs in the same amounts.

The federal QZAB program was created by Congress in 1997 to promote public/private partnerships exclusively for schools. To qualify, 35% of a school's student population has to be eligible for the free or reduced cost lunch program. Additionally, a private entity must contribute at least 10% of the bond proceeds to the project. The QZAB rate is set by the U.S. Treasury Department on the date an agreement to purchase the QZAB is signed. Today that rate is 5.11%. Congress allocates the amount of QZABs that can be issued and $400 million has been allocated each year for 2012 and 2013. The allocations are divided among each state based on populations of individuals below the poverty line. Montana's allocation for 2012 and 2013 is $1.179 million per year. Montana's Office of Public Instruction (OPI) must authorize a school district's request for a QZAB allocation. Most capital projects, except new construction, qualify as acceptable expenditures under the program.

The Montana QZAB Program is administered under the Municipal Finance Consolidation Act. Since inception, the Board has issued eight QZABs totaling over $10 million.

The Kalispell Elementary School District is requesting the Board to purchase its $619,800 limited obligation school district bonds by issuing a QZAB in the same amount. Bond proceeds will be used to finance costs for various energy conservation measures at several elementary schools and the middle school.

The Kalispell High School District is requesting the Board to purchase its $1,587,228 limited obligation school district bonds by issuing a QZAB in the same amount. Bond proceeds will be used for various energy conservation measures at Flathead High School.

The private entity providing the 10% commitment is Ameresco, a provider of cost-saving energy management, energy efficiency and renewable energy solutions. The contribution will be in the form of in-kind energy auditing and engineering services in the amount of $61,980 for the Elementary School District and $158,723 for the High School District. The term of both QZABs will be 15 fiscal years.

The districts worked with D. A. Davidson & Co. to coordinate the purchase of the QZABs; Rocky Mountain Bank of Kalispell will purchase the QZABs.

Ms. Burton added that the School Districts have been working with Ameresco for over a year to complete an investment grade energy audit. Ameresco completed a review of the school facilities and determined energy cost measures that could generate energy savings and efficiency. MBOI required the Montana Department of Environmental Quality (DEQ) to conduct a review of the Ameresco audit. DEQ's analysis agreed with Ameresco's cost savings estimates.

Ms. Burton clarified some of the questions brought up by Board members:

- State law authorizes school districts to issue and sell their bonds directly to MBOI, without a vote of the District voters. The School Districts did not require additional funds from the voters; therefore, it was determined to request MBOI to purchase their bonds;
- MBOI acts as a conduit (pass-through) issuer and is not financially liable for the bonds;
- Rocky Mountain Bank of Kalispell is the purchaser of the bonds and as such they are required to do their due diligence; in addition, they receive the allowable tax credits associated with the bonds;
- The resolutions create a debt service sinking fund which the school districts pay into annually. MBOI pledges the sinking funds to Rocky Mountain Bank of Kalispell, the holder of the QZAB bonds.

Staff is recommending approval of Resolution Nos. 232 and 233; authorizing staff to proceed and complete the QZAB financings and authorizing staff to execute the bond closing documents.

Board Member Marilyn Ryan made a motion to approve Resolution No. 232 relating to up to $619,800 Municipal Finance Consolidation Act Bonds, Taxable Series 2013 (Qualified Zone Academy Bonds/Tax Credit Bonds – Kalispell Elementary School District project); authorizing and approving the sale and issuance thereof and pledges and assignments of the board's interest in the school district bonds and payments thereunder, fixing the form and details, providing for the payment and security and authorizing the execution and delivery of certain documents in connection therewith. Board Member Sheena Wilson seconded. The motion passed unanimously.

Board Member Karl Englund made a motion to approve Resolution No. 233 relating to up to $1,587,228 Municipal Finance Consolidation Act Bonds, Taxable Series 2013 (Qualified Zone Academy Bonds/Tax Credit Bonds – Kalispell High School District project); authorizing and approving the sale and issuance thereof and pledges and assignments of the board's interest in the school district bonds and payments thereunder, fixing the form and details, providing for the payment and security and authorizing the execution and delivery of certain documents in connection therewith. Board Member Jon Satre seconded. The motion passed unanimously.

Board member Marilyn Ryan thanked Deputy Director Geri Burton for all of her time and hard work.

ADJOURNMENT

There being no further business, Chairman Mark Noennig adjourned the meeting at 2:25 PM.

Next Meeting

The next regular meeting of the Board will be November 19, 2013 in Helena, Montana.

Complete copies of all reports presented to the Board are on file with the Board of Investments.

BOARD OF INVESTMENTS

APPROVE: Mark E. Noennig
Mark Noennig, Chairman

ATTEST: David Ewer
David Ewer, Executive Director

DATE: 12/2/2013

MBOI:drc
10/21/13