

**MINUTES OF
REGULAR MEETING OF THE DIRECTORS OF
THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
October 26, 2022**

The Directors of the Oklahoma Development Finance Authority held a Regular Meeting at 10:30 a.m. on Wednesday, October 26, 2022, in the Conference Room of the Oklahoma Development Finance Authority, 9220 North Kelley Avenue, Oklahoma City, Oklahoma.

The following members of the Authority were PRESENT:

Mr. Keith Ventris, Chairman
Mr. Bridger Cox, Vice Chairman
Mr. Peter Carey, Secretary
Mr. Hank Bradley, Member
Mr. Matthew Caldwell, Member
Mr. D.R. Shipley, Member
Mr. Brent Kisling, Ex-Officio

The following member of the Authority was ABSENT:

None

Others attending the meeting were members of the Oklahoma Development Finance Authority staff and other guests representing firms doing business with ODFFA, who are listed on the Attendance Register which is kept in the original meeting file.

ROLL CALL

Chairman Ventris called the meeting to order and requested a roll call from the Assistant Secretary, after which he declared a quorum present.

In response to a question by Chairman Ventris, it was reported that notice of the Regular Meeting of the Authority was filed in the office of the Oklahoma Secretary of State and public notice of this meeting was posted in prominent view at 9220 North Kelley Avenue, Oklahoma City, Oklahoma, twenty-four (24) hours prior to this meeting excluding Saturdays, Sundays, and legal holidays, all in compliance with the Oklahoma Open Meeting Act.

APPROVAL OF MINUTES OF THE MEETING OF SEPTEMBER 28, 2022

Minutes of the meeting held September 28, 2022, had been sent electronically to the Board Members prior to the meeting and the reading was waived. Mr. Shipley made a motion to approve the minutes as transmitted. Mr. Cox seconded the motion. All members present voted Aye.

FINANCIAL REPORT

Mr. Davis reported that the revenues are almost double for FY'23 at \$766,000 compared to FY'22 at \$370,000. The expenses have increased slightly associated with the large amount of transaction activity that was closed. The operating net income is at \$472,000 versus \$85,000 last year. Low interest rates on cash creates negative drag for ODFA as well. Over the last couple of months Mr. Davis has been looking at a 2-year \$5 million US Treasury ladder strategy. We now have an account setup with BOK, and he continues to look for 2-year US Treasury ladder portfolios. On Monday, he looked at a portfolio with a weighted average life of 15 months and the maturity goes out to 2 years including all US Treasuries that yielded 4.42%. He may look at mixing in some brokered CD's. The rates on these are going up substantially, as well as looking at some agencies. This investment would reverse some of the negative arbitrage that we have. Mr. Davis is hopeful to pull the trigger and pick one of these portfolios soon. This will also help increase revenues and again Mr. Davis feels it is fiduciary responsibility to not let equity erode.

Lastly, Mr. Davis stated that the October Operations and Development Report is on pages 107-109, and this concludes his comments for the financial report.

Chairman Ventris asked if there were any questions or comments concerning the report. Hearing none, he asked if there was a motion. Mr. Cox made a motion to approve the financial report, as presented. Mr. Carey seconded the motion. All members present voted AYE.

PRESENTATION AND POSSIBLE VOTE TO APPROVE THE ODFA AUDIT FOR FISCAL YEAR ENDED JUNE 30, 2022

Mr. Davis introduced the auditor from HBC, Mr. Chris Heim. Mr. Heim thanked the Board for engaging HBC to perform the audit and thanked Mr. Davis and Ms. Dobbins for their help. Mr. Heim hit the highlights of the audit. Mr. Heim went through the management discussion and analysis.

Mr. Heim stated that the financial statements presented fairly in all material respects the financial position of ODFA. This is a clean opinion and the best opinion that can be offered.

Mr. Heim stated that the audit letter to governance was previously a one-page report but with the new standards it is now 2 ½ pages and in some audits, it is closer to 4 pages. The new letter format

is just detailing more of what has already been going on. The auditors are required to make a risk assessment on any given area of the financial statement which determines their procedures as they go through the audit. They are also required to obtain an understanding of internal controls and they are required to assess going concern. The auditors have always been required to do that but now they are also the management's responsibilities.

They are not stating an opinion on internal controls. However, as they go through procedures they determine if what you say your controls are in place. The auditors did not find any deficiencies in ODFA's internal controls. The last letter on page 102 discusses new accounting standards that are issued. GASB 87 the lease standard did impact ODFA, but this letter also discusses difficulties with management, misstatements, difficulties, and any other finding that they might have. Mr. Heim stated that there were no disagreements with management. He pointed out that management's dedication to accuracy is great and they wanted to sit down and go through the differences. This is refreshing to auditors to do this, and he commended management for that. The difference with the internal financing statements that have been seen and what you will see in the report is an increase in assets and increase in liabilities due to the lease standard. Now they are required to bring leases onto the balance sheet due to GASB 87, as a lease liability and amortize that over the life of the lease. Then if there is a lease receivable which ODFA does has with Buford Resources then that is required to be put on the balance sheet as an asset and it is amortized over the life of the lease. So, this does show an annual increase in assets and in liability. This is the main difference from the internal financial statements. Mr. Heim recommended that since this is purely a GASB entry that this will not be made to the internal financial statements because it would be very cumbersome to make these calculations on a quarterly basis. This would be an annual entry that will occur. Mr. Heim asked for any questions from the Board and there were none.

Mr. Caldwell made a motion to approve the audit report. Mr. Carey seconded the motion. Upon Roll Call, the vote was as follows:

AYE:	Bradley, Carey, Caldwell, Cox, Kisling, Shipley, Ventris
NAY:	NONE

REVIEW AND POSSIBLE APPROVAL OF TRAVEL CLAIMS

Mr. Shipley made a motion to approve the travel claims. Mr. Cox seconded the motion. All members present voted AYE.

PRESIDENT'S REPORT

Mr. Davis reported that the Business Expansion Incentive Program that is administered by ODFA is a statewide incentive program. This program is aimed, as Director Kisling calls it, at “growing our own”. The Authority has utilized this program substantially in 2022. This is probably the first meeting that there was not at least 3 of these projects on the agenda. Mr. Davis recalled that a couple of months ago there were eleven projects on the agenda. There are 50 active projects that have been awarded, approved, closed and they are receiving payments. The program has a \$200 million capacity in the incentive pool and it is an evergreen effect. Every dollar that ODFA pays out on a project, frees up incentive dollars for another project. Although the program has been heavily utilized and has helped a lot of Oklahoma businesses there is still \$144 million left in the pool. The Oklahoma Innovation Expansion Program goes back to the origins of COVID and Bounceback in Series 2020. This is the 3rd year of the program. There were 125 awards for \$9.1 million. There were 17 companies that withdrew. This is a pay for performance program and the companies apply for the awards anywhere from \$25,000 to \$150,000 and they had to provide proof that they had spent 10% of their planned capital investment by the end of September. The Authority has disbursed \$4.5 million of the \$9.1 million through October. This program ends in June 2023 and Mr. Davis expects there to be an OIEP, Series 2023. The application window for that series will be April 2023.

Mr. Davis then gave an update on utility securitization bond financing that went back to the February 2021 Winter Storm Uri. The transactions were closed for OG&E, ONG, and PSO. The first 3 issuances were significantly larger than the 4th issuance for Summit. Summit purchased the assets of CenterPoint and when the winter storm hit the utility provider was CenterPoint but now Summit is the successor of the company. These bonds were closed last Wednesday, October 19th as a single tranche of \$81.6 million with a 15-year term and a weighted average life of 8.89 years. It was priced on a 10-year treasury with a spread of 135 basis points. This resulted in an interest rate of 5.269%. As of now the Authority's docket has been cleared of the utility securitization bond issuance. There is potentially one remaining bond transaction out there. Summit is the parent of another utility provider, Arkansas Oklahoma Gas. The Vice President and Corporate Treasurer for Summit, Craig Root, whom we worked with extensively through the Summit transaction, has said that AOG is evaluating whether the utility securitization would provide the lowest cost to the ratepayers. This would be a much smaller deal, around \$20-22 million. Upon application to the Oklahoma Corporation Commission, it is likely some of the dollars would be disallowed so it could be even smaller. If an application is made to the Oklahoma Corporation Commission, they would then send a financing order to the Authority.

Mr. Jered Davidson, attorney for the utility securitization bond financings, stated that AOG has until December 31, 2023, to get the bonds issued, sold, and closed. He added that we started this process a year ago with OG&E and we just finished Summit. It is a long runway for them to get going.

Mr. Davis stated that the Oklahoma State Regents for Higher Education Master Lease Real Property Project 2022B of \$4.2 million for Oklahoma for OK Panhandle State University, (student union renovation) and Northern Oklahoma College (Technology building renovation) is expected

to close very soon. We are in a very choppy market. The rates aren't terrible, but it is a little jarring since we have been in a prolonged low-rate environment. Mr. Davis added that he has coordinated with the State Deputy Director of Debt Management in the Treasurer's Office to approve the pricing.

Mr. Davis stated that this concluded the President's Report. Chairman Ventris made note that no formal action was taken during the President's report.

Chairman Ventris stated that he even though the Authority did not ask for it but has done a fantastic job with the utility securitization issues.

ANNOUNCEMENTS

Mr. Davis stated that there will not be a November Board meeting. It will be combined with the December meeting. The December board meeting is scheduled for December 14th.

Mr. Davis then announced that the departing Director from the 1959 Oklahoma Congressional District 2 was not able to be with the Board last month and it would have been his final meeting as a Director. We invited Chris Condley back today along with past employees and people who worked with the Authorities during Mr. Condley's tenure. Mr. Davis introduced the guest of honor former Director Chris Condley, from Muskogee as well as the following guests: Jim Fulmer, past president of the Authority; Roger Wagner, past chair, and board member; Jim Buie, past employee; John Crittenden, former legal counsel; and Sarah Hardy, former employee.

The Chair of the Board serves for 2 years and typically after a 2-year term they are recognized and their accomplishments while serving in the chair seat. In July 2022, Chris Condley finished his 3rd rotation, as the chair. Mr. Davis recognized his entire service to the Board. Mr. Condley had nearly 24 years of service to the Board. The Board members serve 6-year terms. Mr. Condley was appointed to the Board in 1999 and he served 5 plus years of an unexpired term. Chris was initially appointed by Governor Frank Keating and was reappointed again in 2004, 2010 by Governor Brad Henry and his last appointment was in 2016 by Governor Mary Fallin. This is a very long time that spanned republican and democratic administrations. Mr. Condley dutifully served the Board as chairman for 6 years. The first one was in July 2002, July 2011, and then finally July 2022. Mr. Condley was a very active member and served on numerous subcommittees. Mr. Davis stated that looking back at what has happened at the Authorities during Mr. Condley's tenure of almost 24 years, there have been material things that have occurred such as The Oklahoma State Regents for Higher Education, Master Lease Equipment Program that began in 2001. That program was so successful that they created the Oklahoma State Regents for Higher Education Master Real Property financing program in 2006. He was also here when the Community Economic Development Pooled Finance Program which is now called the Business Expansion Incentive Program was created in 2009. This program has been tremendous for the State, creating new capital investment of \$2.9 billion. It is a 14 plus 1 investment ratio to the award amount that the State has provided, it has created 7,400 new jobs, generating \$292 million in new annual payroll for the State. This is a business expansion and retention program that has

retained 47,000 jobs across these projects. In 2020 we launched the Bounceback Program, which was a COVID response that helped 86 companies. Then the OIEP Program, Series 2021 and 2022 there were 282 projects. This pooled finance program has impacted 447 companies across the State of Oklahoma. This has been the first time the Authority has worked with this many companies and Mr. Davis added that the many of the companies probably did not know the Authorities existed until now. This is one of the reasons the Authority is seeing some robust loan generation. The work Mr. Stoner and Ms. Harris has done staying in contact with the companies has been excellent. Mr. Condley was here when the new building was built in 2013 and when we moved in 2014. The legislation for the utility securitization and that program was also during Mr. Condley's tenure. The production and the impact over the last 24 years, the OIFA lending program, where we are lending to for profit businesses, 33 projects were completed for \$41.2 million in funding. However, when Mr. Condley first arrived and some of the past employees there was a bit of a clean up of a mess and they weren't focused on production. But since 2009 of the 33 projects; the Authority has closed 17 projects for about \$18 million. With the regard to the ODFA conduit bond issuance program there has been 200 plus projects for \$10 billion in funding during Mr. Condley's tenure. In education there was 124 projects and \$2 billion in funding. This was new money for institutions of education across the state that locked in at low rates for up to 30 years; it was also a lot of refunding that has saved the same institutions a great deal of interest costs. There were 51 projects for the healthcare industry for \$4.4 billion. The state and local government projects were 22 projects for \$5 million in funding. There were also some for-profit entities that take advantage of the ODFA tax advantage financing tax exempt bonds. These were qualified and allowable costs under the IRS, such as Waste Management and Conoco Phillips. The utility securitization completed 4 projects of \$3 billion in funding. There were 79 projects in the pooled finance program. The Bounceback, OIEP, Series 2021 and 2022 that counts as 3 projects, that has affected over 400 companies. In total there were over 310 projects during Mr. Condley's tenure and provided \$10.6 billion in funding for Oklahoma businesses and critical infrastructure.

Lastly, with Mr. Condley's dedicated service and involvement with the Board he has left an indelible mark with the Authorities, and on your community in Muskogee, and the region that you represent and the State as a whole, so with that he thanked Mr. Condley for his service.

Mr. Condley stated that this is a wonderful organization and that there is independent thinking and there is group thinking that goes on and Mr. Condley likes the independence. Mr. Condley added that the staff is the reason we are good and when you hear the audits and hear there are no problems it is due to the staff. Mr. Condley added that he appreciates the staff and all they do and stated it was a pleasure to serve on the board and was grateful for the opportunity.

Mr. Condley thanked each board member and stated that Mr. Davis makes this job a lot easier. He and his staff are available, and he is out in front with any comments or help that you need, and he is one that seeks after help with leadership.

ADJOURNMENT

Chairman Ventris asked if there were any announcements. Hearing none, he asked if there was a motion to adjourn. Mr. Cox made a motion to adjourn. Mr. Shipley seconded the motion. All members present voted AYE.

These minutes officially approved and adoption this ____ day of _____, 2022.

Chairman

SEAL

Assistant Secretary