

INTEGRITY AND LONGEVITY MAKE STEPHENS A GREAT EDUCATION PARTNER

An interview with Dennis Hunt, Executive Vice President and Head of Stephens Public Finance



Leading the Stephens Public Finance team makes Dennis Hunt a frontline defender of the firm's sterling reputation. It is a reputation Stephens earned from decades of putting its clients' interests first, nurturing strong relationships, and providing unparalleled expertise.

Hunt shares the keys to his team's success and what makes Stephens Public Finance such a good partner for Arkansas school districts.

As the leader of Stephens Public Finance, what character traits do you most value in assembling your team?

Most importantly, we look for the integrity and professionalism of the people we recruit. We are very much in a relationship business, and to have strong and lasting relationships, our people must have a high level of integrity and an underlying concern for the firm's reputation.

Secondly, we look at what areas of expertise they have had in their past, whether that be in public finance, commercial banking, legal, accounting, or city management. Our employees have a variety of backgrounds to accommodate the many needs of our public finance clients.

Is it important for your team members to have a passion for public education in Arkansas?

I think it is a concern of not only the advisors but the firm that we try to provide the best possible education to the children of the state of Arkansas. Some of our advisors have worked in education, and I think you have to have a passion for education in order to be truly successful.

It's interesting: Stephens is an investment firm, and most of us believe that investing in education is probably the best investment that we can make as a state.

What makes Stephens such a good partner for Arkansas school districts?

It is a combination of our longevity – Stephens has been serving public finance clients in Arkansas since 1933 – and also a high level of integrity. Those school districts know what we are doing and what we are advising will be in their best interest.

And it is about long term relationships. Fortunately, the individuals who worked at Stephens long before most of us today had strong and positive relationships with those school districts, and that continues today. As a result, we have had successful partnerships with Arkansas school districts.

Why does Stephens take a relationship approach to clients rather than a transactional one?

In the state of Arkansas, relationships are critical. It is a relatively small state, and most of our business is developed by word of mouth and the relationships we have developed with superintendents over the years. In Arkansas, if you want to represent clients well, you have to have strong relationships with them. So it is not only part of our firm's mission statement, but relationships are critically important to our ability to best serve the clients.

How did you come to join Stephens?

I have an undergraduate degree in political science and a Master's in public administration. I was in city management for about 15 years before joining Stephens in Arkansas. Actually, I was a client of Stephens and worked with many of the bankers who have long since left the firm. Back in 1993, I was approached by Stephens to see if I would be interested in coming to work for them. We decided to open an office in northwest Arkansas, and I was there for 22 years. Then three and a half years ago, I came to Little Rock to lead our Public Finance department.

Having been on the other side of the firm-client relationship, what kind of reputation did you see that Stephens had among school districts and municipalities in Arkansas?

Stellar – that is the reason I came to work for the firm. I always felt that Stephens was doing the right thing for its clients. I was actually in Fort Smith at the time, and Stephens not only

represented the city in terms of its public finance business, but Stephens had a very large presence in the city. I was very familiar with the firm and held Stephens in high regard.

In the public finance world, what developments are unfolding that could be useful for school district decision makers to know about?

There are two issues I think most leaders within school systems should be aware. One, under the recently approved tax reform legislation, school districts lost the ability to do certain types of refunding bond issues that they were permitted to do in the past. So, there may be fewer opportunities for school districts to be able to save money from refunding an outstanding bond issue because of the elimination of what is known as an advance refunding.

Secondly, we are starting to see a trend of rising interest rates, and I would anticipate that interest rates over the next year will continue to move upward. That is obviously going to impact both the cost of capital for school districts as well as have an impact on what are known as current refundings, which districts can still do, and the ability to refund outstanding bond issues for economic savings.

What kind of activity took place in Arkansas' public debt market over the last year?

Interestingly, many school districts this last year did not enter the debt market. In 2016, there were 136 school bond issues offered in Arkansas, and in 2017 there were 65. The dollar amount was very similar, about \$875 million issued in 2016 and \$937 million issued in 2017, but the number issued was down dramatically.

So would you look at those as missed opportunities or an impetus for districts to be more aggressive this year?

People are generally hesitant about moving forward on a bond issue to refund outstanding bonds or to generate new money when interest rates are consistently remaining at low levels. But when issuers start to see interest rates increase, they tend to become more anxious. It will be interesting in 2018 to see if because of the increasing interest rate environment issuers try to get in market before interest rates go even higher.

However, there are a number of factors that leaders of school districts are evaluating when deciding to move forward with a bond issue. I would say interest rates and financing costs are probably further down the list in terms of importance. In other words, the financing or interest rates are probably not as important to decision makers as enrollment numbers, safety issues or facility needs as they decide when to move forward.

What kind of information do school district decision makers need to have a good handle on in order to make the best financial decisions?

One of their most important decisions they make is the selection of a municipal advisor to assist them. The advisor provides critically important guidance to decision makers as they implement the financing strategy to address their capital needs. At Stephens, we want to keep the client totally informed, but we don't want to pester them about the day to day financing activities to the point that the decision makers are not able to focus on their central mission of educating children. It is a delicate balancing act.

But the underlying principle of putting clients' interest first is consistent throughout.

Correct. At Stephens, we have a long history of putting our clients' interest first. We strive every day to continue that tradition.



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