

# WITH MORE THAN 80 YEARS' EXPERTISE AND PERSONAL EXPERIENCE, STEPHENS KNOWS ARKANSAS PUBLIC SCHOOLS.

An interview with Michael McBryde, Vice President at Stephens Public Finance



Putting clients' interests first requires Stephens Public Finance bankers to have a detailed understanding of the market and districts' unique needs but also a drive to help public education in Arkansas. It is an approach that Michael McBryde's background led him to appreciate long before he started working at Stephens.

## What led you to working for Stephens Public Finance?

I knew from a very young age that I wanted to work for Stephens, and more specifically, in the field of public finance. That might sound strange, but my father worked for the firm for more than 40 years financing public projects. During that time, he advised many public school districts in the state as they planned and devised financing strategies for their infrastructure projects. I can remember driving through Arkansas as a child and my dad pointing out the various public projects that he had helped finance. It was from those experiences that I realized the deep impact he and the firm have had in bettering communities across our state. I knew then, I wanted to be a part of that.

So, I joined Stephens right out of college. After graduating from the University of Arkansas, I started in our Fayetteville office, but I subsequently moved back to my hometown of Little Rock. This is the start of my 10th year with Stephens.

## You attended public school in Arkansas. How does that experience shape your perspective on helping public schools in Arkansas today?

Yes, I am a product of Arkansas public schools. Growing up in Little Rock, I attended Jefferson Elementary, Pulaski Heights Middle, and Central High. I believe those experiences helped me realize that people come from many different backgrounds, but that education is the true equalizer if they have the proper learning environment. At Stephens, we are working every day with the idea that we want Arkansas children to have access to the state-of-the-art facility or technology that may expand their understanding of the bigger world.

It makes it all worth it knowing we are having a positive impact. When people think about finance, helping the greater good might not be the first thing they think about. But that is really what draws a lot of us into public finance. It has a real purpose.

## With the greater good of Arkansas in mind, how does that impact the culture at Stephens and how the firm works with clients?

Stephens traces its origins back to the public finance markets of the early 1930s when we first began investing in Arkansas. We have since grown into one of the largest privately held financial services firms in the United States, all while remaining true to our local roots. We take great pride in the work we do and in the difference we're able to make in Arkansas.

Our clients always come first. It is this philosophy that ultimately enhances our reputation and has forged relationships, the likes of which have been, and will continue to be, the cornerstone of our success.

## Besides putting clients first, what makes Stephens such a good partner for school districts?

Our ultimate goal is to be a trusted advisor to our clients. At Stephens, we understand that our success depends on building trust through providing a candid reflection of our thoughts, opinions, and advice. We are continuously seeking ways to better assist our clients by exploring new and innovative ways to meet their financing needs. We strive to be more than just a fiscal agent that shows up to do a transaction, but rather a trusted partner and resource.

## Describe your unique familiarity with the Stephens firm.

I think most people in Arkansas have heard of Stephens Inc., the financial services firm, but the organization has been close to me all of my life. As I mentioned, my father worked for the firm for 42 years, all in public finance, before retiring as head of the department. In fact, he was instrumental in growing Stephens' K-12 education advisory services. I take a lot of pride in knowing that we are coming up on a half a century of McBrydes working for Arkansas school districts.

It's funny; sometimes I'm working on behalf of a school my father had the privilege to work with in the past. We will be out duck hunting, and he will say, "I remember when that district hired us to finance their high school 35 year ago." And, we swap stories about the school

buildings we have financed, the board members we have met, and the superintendents we have worked for over the years. I believe that this type of institutional knowledge and access is unique among advisory firms.

## So in raising you, your father knew the value of Arkansas public schools?

Absolutely. But, it wasn't just my dad, both of my parents believed that public schools would provide me with access to different viewpoints and world views that I may not receive through other educational venues.

My family's viewpoint is the same as our firm's – Arkansas public schools are the key to our state's success.

## What can the school district leaders and school board members expect from their relationship with Stephens?

School leaders and board members can expect that we will always be there. Stephens has been around for a long time and we have a deep understanding of Arkansas schools and how to best execute on their behalf.

We want districts to know that they can rely on us to work harder than anyone else in the state on their behalf.

## What kind of information do school district leaders and school board members need to make the best decisions for their districts?

I believe that district leaders and school board members should take time to learn about Arkansas school finance. To assist with this, we provide financial training for school boards at no charge. That is something we always encourage our new school board members to take advantage of.

In addition, we routinely provide information to district leaders to assist them. For example, we provide districts with a financial analysis that includes local tax breakdowns, valuations, millage rates, their outstanding debt, debt ratio comparisons, among others. We also provide an annual report that benchmarks the district to other districts of similar size and in their area. This report compares districts' fund balances, salaries, and outstanding indebtedness, to name a few.

When it comes time for a board to look at a millage campaign or debt restructuring, we are also there to provide financing scenarios and analyses on millage breakdowns and structuring options, including the restructuring of any old or outstanding debt.

We strive to maintain continuous contact with our clients so that they are aware of their financial position.

## Describe the municipal bond market right now.

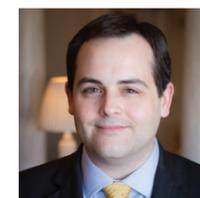
Currently, rates are still low, which I think a lot of people do not realize. They hear that the Fed has been increasing the fed funds rate and that rates are going up and up, but over the past quarter that just really has not been the case. This has allowed some districts to obtain some really favorable interest rates for their construction projects. And recently we are seeing some districts refinancing old debt for interest savings. It is a favorable time for Arkansas schools to be entering the bond market, as the cost of capital is still very cheap.

## But market opportunities or not, what is Stephens' general approach to these transactions?

We pride ourselves on a conservative approach. Obviously we do not want to be so conservative that we miss opportunities. But a conservative approach is extremely important in school business.

Recently we have seen a mandated increase to teacher salaries; we have seen the state minimum wage increase; and these are things that three or four years ago we did not necessarily think would occur. These are causing expenditures to go up without always sufficient revenues to back them. If you are not taking a really conservative approach, you could find yourself in trouble.

Unfortunately, this is not new to districts. You do not get into public education for the fame and the riches. And so these people that are working in and running these districts, they are survivors, and they know how to make tough decisions. That's why it is always a joy to work with them.



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