

A STERLING REPUTATION MAKES STEPHENS THE PERFECT PARTNER FOR ARKANSAS SCHOOL DISTRICTS

An Interview with Kevin Faught, Senior Vice President of Stephens Public Finance



With more than eight decades in public finance, Stephens Inc. has had plenty of time to solidify its reputation in the business, which precedes the company with clients and prospective employees alike.

Prior to joining Stephens Public Finance, Kevin Faught spent 11 years in municipal management becoming familiar with the firm's record. The verdict? Faught's trust in Stephens and its ability to be a good partner for clients was strong enough for him to go to work for them.

How did you come to work in municipal government?

My father was in city management and worked in the states of Oklahoma, Kentucky and Arkansas. Then our family finally settled in Fort Smith in the early '80s. So, obviously city management was a profession that I grew up around and was very familiar.

After graduating from college and working in the private sector for a short time, I made a decision to return to graduate school in 1994. I was searching for a career, and municipal government was something I knew from my dad, so I enrolled at the University of Arkansas and simultaneously got a job working as the Assistant to the Mayor for the City of Springdale. The title later changed to Director of Finance and Administration; the job grew as my experience grew.

From there, I served the City of Branson [Missouri] as the Assistant City Administrator for four years and then had the opportunity to go work for Stephens.

Why did you choose to work for Stephens?

Stephens was appealing to me because, having grown up in Arkansas, I knew the firm and its reputation. My dad had also been a client of Stephens' when he served as the City Administrator at the City of Fort Smith. He imparted nothing but praise about Stephens. So I knew Stephens and felt like it was a quality place to work.

Working for Stephens has allowed me to keep that connection with all government issuers, including schools. I always

thought that my professional background in city management translated well to my clients, especially my work with school boards, city councils and quorum courts. It is similar to the work I do now with Stephens because I am working with the policy makers and dealing with the leaders of those organizations through superintendents and finance staff.

How does your experience in municipal government help you better work with clients?

I have been on the other side of the table, so I understand the difficulties in identifying capital needs and prioritizing those needs. I understand that most of the time an organization does not have the available cash on hand to fund all of its capital needs. Decisions have to be made as to how and when to finance such needs.

Because most organizations do not issue bonds very frequently, they must rely on trusted advisors like the people at Stephens to help them navigate the process from start to finish. I try to be cognizant of the fact that most organizations are not frequent issuers of debt and therefore not very familiar with the steps involved. I try to communicate to them in terms that they can easily understand and remember that I was once a client too. I think it gives my clients an advantage that I have been on that other side.

When you were working in municipal government, what reputation did you perceive Stephens to have in the public finance world?

The word that comes to mind is integrity. This is a firm that has been around since 1933. There are people still at Stephens now who I knew when I was in city government. My boss, Dennis Hunt, who is Executive Vice President and Manager of Stephens Public Finance, worked for the City of Fort Smith. He went to work for Stephens when I was working in Springdale, so there were people I knew and respected at Stephens, and a lot of that formed my opinion.

I have said to many of my clients – and this is no disrespect to other firms – I would not have left my career in city management for any firm other than Stephens. I did not need another job at the time. It was just something that I thought was a good opportunity for me and my family.

At Stephens, what role do you serve for school districts?

A big part of our job is serving as a trusted advisor for schools. School districts are the most active bond issuers in the state, so the majority of our business is working with school districts and helping them structure debt in such a way that is most beneficial to them.

We also offer districts other services. One example is that we conduct training sessions, typically once a year, at the request of a school district for their board members. We review with the board members what we call school finance 101, which basically covers all aspects of school funding and the basics of bond financing. Board members receive continuing education hours for that training.

We also regularly prepare a financial analysis for superintendents and finance staff that details their outstanding bond issues. The analysis also includes an assessment history and what their millage structure is. This information keeps districts informed about when bond payments are due, total outstanding debt, etc.

We also assist school districts as they prepare for millage elections. We help make sure that the client has the right information to be able to develop materials that they can share with the community about the need for a millage and why.

What does Stephens do for school districts working on millage elections?

After discussing with a district what their needs and goals are, we will develop an analysis to show them what their millage options are. From there, we will work with the district to determine what kind of millage increase they are going to present to voters and what the maximum principal amount of the bond issue will be. Next we will work with the bond attorney to develop the ballots and make sure all the publication requirements are met.

There are several statutory timelines associated with millage elections that districts have to meet, mainly in regards to publications. One such example is the Proposed Budget of Expenditures, and it has to be published not later than 60 days before the election. For that reason alone, districts considering a millage election should start talking to their financial advisor several months in advance of any contemplated millage election.

Then what services does Stephens provide when a millage election is successful?

After a successful election, depending on the district's timeline, we start developing the documents so that the bonds can be offered for sale. That is typically about a 45- to 60-day period from start to finish. Every time we do a transaction we put together a schedule of events that details all the steps of a bond issue. We will review this with the district and see that the deadlines are met.

What can clients expect working with you and Stephens?

Our business is a relationship business. It goes back to the trust that we try to earn and keep every day, representing our clients to the best of our ability. I have always believed that it is my duty and responsibility to act in the best interests of my client. Regardless of whether it is a school district with enrollment of 350 or one with an enrollment of 15,000, we take the same approach with every client. And we are there for the district whether they are issuing bonds at that particular time or not.



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