



COMMONWEALTH OF VIRGINIA

Department of the Treasury

MANJU S. GANERIWALA
TREASURER OF VIRGINIA

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July 20, 2010

MEMORANDUM

TO: Commonwealth School Superintendents

FROM: Manju S. Ganeriwala, on behalf of
James M. Holland, Chairman, Virginia Public School Authority

SUBJECT: Virginia Public School Authority School Financing Bonds
(1997 Resolution) Fall Pool Bond Sale

The Virginia Public School Authority ("VPSA") is beginning the planning process relating to the sale of its School Financing Bonds (1997 Resolution) in support of its 2010 Fall Pool. The sale of VPSA's Bonds is tentatively scheduled for mid to late-October, with funds becoming available to localities on or about November 18, 2010. The purpose of this memorandum is to provide localities with notice of the sale and direction to the electronic information regarding the application for inclusion in the financing.

As with VPSA's 2010 Spring Pool issues, VPSA will offer a Build America Bond ("BAB") opinion for localities. Subject to sufficient demand therefor and other considerations, interested localities may finance a portion of their respective capital needs through the sale to VPSA of a federally taxable, general obligation BAB. The BAB will be issued at the locality level, as opposed to the VPSA level, and localities choosing the BAB option will be eligible for a 35% interest subsidy, on each interest payment date, subject to continued compliance with certain restrictions and requirements contained in the Internal Revenue Code of 1986, as amended.

The electronic information package, including the application forms, is available at the Department of the Treasury home page on the Internet at:

http://www.trs.virginia.gov/Debt/vpsa_appl.aspx

This package will better acquaint you with the VPSA financing program. Please access the Internet address shown above to secure the forms and instructions needed to submit an application for participation in the Fall Pool bond sale. The information includes:

- ◆ Attachment A - Background information on VPSA, State Aid Intercept and State Non-Arbitrage Program® ("SNAP®")
- ◆ Attachment B - Application for participation in the bond sale
- ◆ Attachment C - Tentative financing schedule

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The application is divided into three sections; (i) General Information, (ii) Project Information and (iii) Project Authorization. Sections (i) and (iii) must be fully completed by every applicant. Section (ii), Project Information, provides for either long-term project financing (e.g., eleven years or longer financing) or intermediate-term project financing (e.g., equipment financing). Please complete the appropriate questions according to the useful life of the project(s) being financed.

VPSA structures its financings to purchase each locality's local school bond for a price substantially equal to the amount of proceeds the locality has requested. This method of structuring is intended to assure that the purchase price VPSA pays will finance projects adequately and at the same time accommodate the range of possible loan maturities and amortization schedules within the participant pool. As in prior transactions, actual market conditions will be evaluated in the pricing and sizing of the transaction. VPSA expects to resize, to the extent permitted, the par amount of local school bonds on the VPSA sale date. For example, if a locality's requested loan maturity and amortization schedule results in a local school bond that is valued at a price of par plus a premium, VPSA intends to decrease the par amount of the bond to the extent necessary to provide proceeds approximately equal to, but not less than, the amount of proceeds requested. Conversely, if a locality's requested loan maturity and amortization schedule results in a bond that is valued at a price of par less a discount, VPSA is willing, at your request, to increase the par amount of bonds to generate the proceeds requested. To do so the locality must authorize additional bonds (up to 5%) in excess of the amount of proceeds requested. Localities expressing interest in the BAB option should, in particular, consider such flexibility, given that federally taxable bonds are frequently purchased at par, before factoring in any underwriters' discount and other costs of issuance.

In general, VPSA would expect to downsize the par amount of local school bonds with relatively more rapid amortization schedules (shorter maturities, level principal) and to upsize the par amount of local school bonds with relatively slower amortization schedules (deferred principal, longer maturities, level debt service). **Because VPSA cannot predict the interest rate coupon structure of Fall Pool bonds at this time, VPSA requests that each locality authorize a "not to exceed" or "up to" principal amount of bonds that is in excess of the amount of proceeds requested. In the event a locality's bond structure would result in a discount purchase price and no additional bonds have been authorized in excess of the proceeds requested, the resulting purchase price paid will reflect the discount. This would result in a purchase price less than the proceeds requested.**

Should you require a minimum or specific amount of proceeds (for example, an amount needed to refund an interim obligation); please provide this amount on the application form. In order to meet specific proceeds requests, it will be necessary to have sufficiently broad bond issuance authority to accommodate adjustments in the par amount of local school bonds issued at the time of the VPSA bond sale. Documents, particularly any resolution to be approved by your locality's school board or governing body, should be prepared accordingly.

As you complete your application, examine the schedule, included as Attachment C hereto, carefully. Please note that given the requirements for governing body and school board meetings, public notices

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and a public hearing, you must procure the services of a qualified bond counsel prior to submitting your application to participate in the VPSA Fall Pool bond sale. We anticipate that the local school bonds will pay interest semiannually on January 15 and July 15. The first interest payment would be due on **July 15, 2011** and the first principal installment would also be payable on **July 15, 2011**. **Localities wishing to participate in the VPSA Fall Pool Bond sale must email a letter expressing interest in such participation along with the completed application form electronically by August 20, 2010 to vpsa@trs.virginia.gov.**

Please ensure that the minutes for any resolution/ordinance taken by your school board and board of supervisors/council enumerate by name each board/council member voting, and the member's vote (or abstention). The Virginia Supreme Court in Town of Madison v. Ford held that the minutes of the town council's meeting stating that all members were present and that the motion to adopt ordinance carried unanimously, were **insufficient** to comply with Article VII, Section 7 of the Virginia Constitution. That provision states, "On final vote on any ordinance or resolution, the name of each member voting and how he voted shall be recorded." The forthcoming Bond Sale Agreement resolution forms will accommodate this requirement.

The application requires that the school board submit a resolution authorizing the application. Please submit a signed copy of the resolution with your application. If it is not possible to submit the resolution with the application, please forward the resolution to the VPSA no later than October 8, 2010. **A resolution of the governing body approving the application is no longer required as part of the application process.**

As noted above, a copy of the application may be obtained at the Department of the Treasury home page on the Internet at http://www.trs.virginia.gov/Debt/vpsa_appl.aspx.

Should you have any questions, please do not hesitate to call Rick Davis at (804) 225-4928, Melissa Palmer at (804) 225-4926 or Connie Vaughan at (804) 225-2268.

MSG:mwp

Attachments

c: VPSA Board of Commissioners
Evelyn R. Whitley
Director of Debt Management
Richard A. Davis
Public Finance Manager
Melissa W. Palmer
Public Finance Analyst
Connie O. Vaughan
Public Finance Analyst
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Office of the Attorney General

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