# COMMONWEALTH OF VIRGINIA

*Department of the Treasury*

MANJU S. GANERIWALA
TREASURER OF VIRGINIA

P. O. BOX 1879
RICHMOND, VA. 23218
(804) 225-2142

August 5, 2011

MEMORANDUM

TO: Local Issuers Interested in Participating in Subject Sale

FROM: Richard A. Davis
Public Finance Manager

SUBJECT: Virginia Public School Authority ("VPSA") School Financing Bonds (1997 Resolution) 2011 Fall Pool Bond Sale

The draft of the Bond Sale Agreement ("the BSA") can be found on the Department of Treasury website on the Internet at the address listed below. The BSA and Appendix D thereto are to be delivered to VPSA at the address indicated in the BSA no later than **October 7, 2011**. **Please utilize an overnight delivery service to ensure timely delivery.** A final debt service schedule will be provided after VPSA's bonds are sold on or about mid to late October 2011. **The closing date will be on or about November 9, 2011.**

**The electronic information package, including all form documents, is available at the Department of Treasury home page on the Internet at:**

**http://www.trs.virginia.gov/Debt/vpsa_bondsaleagrmt.aspx**

VPSA structures its financings with a goal of purchasing each locality's local school bonds for a price substantially equal to the amount of proceeds the locality has requested. This method of structuring is intended to ensure 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 and 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 reduce the par amount of such bond to the extent required to provide proceeds approximately equal to, but not less than, the amount of proceeds requested (the amount of proceeds requested by a locality is referred to herein as the "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 the locality's request, to increase the par amount of such bond by the amount required to generate the proceeds requested. To do so the locality must authorize additional bonds in excess (up to 5%) of the amount of Proceeds Requested.

**Because VPSA cannot predict the interest rate coupon structure of its 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 sufficiently in excess of the amount of Proceeds Requested. If a locality's bond structure results in a discount purchase price and no additional bonds have been authorized in excess of the Proceeds Requested by the locality's bond resolution, the resulting purchase price paid will reflect the discount and result in a purchase price less than the Proceeds Requested.**

**The Bond Sale Agreement and form of local bond resolution are specifically drafted to accommodate VPSA's approach to structuring its transactions. First, in the header section on the first page of the Bond Sale Agreement, there are two line entries for dollar amounts. The Maximum Authorized Par Amount should equal the Proceeds Requested plus a cushion of up to 5%. VPSA and its financial advisor will be pleased to assist you in quantifying an appropriate cushion. Second, the Bond Sale Agreement and bond resolution do not include a purchase price parameter as a percentage of par. Rather, the purchase price is to be "substantially equal" to the Proceeds Requested except in the cases where issuing at the maximum authorized amount would not be sufficient to generate the Proceeds Requested. In instances where a discount would be paid, bracketed language is included in the bond resolution for a minimum purchase price parameter as a percentage of Proceeds Requested, if such a figure is required the locality, and its bond counsel, should consult with VPSA and its financial advisor in developing the parameter. An acknowledgment relating to the possibility of receiving a discount is included in the Bond Sale Agreement. Third, the resolution includes certain recitals (similar to the acknowledgments in the Bond Sale Agreement), which explain sizing adjustments and VPSA's objective to pay a purchase price that reflects the market value for the local school bonds.**

**Please ensure that the minutes for any resolution/ordinance taken by your school board and board of supervisors/council list, 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.

At the VPSA Board meeting on September 8, 2011, the Board will consider approval of the applications received from localities interested in participating in the financing. Applications are

being reviewed and approval of funding amounts is expected on that date. If approved, localities and their counsel will be notified of their anticipated funding amount. If not approved, you will be notified as soon as possible following the Board meeting. If you have any questions about the BSA, or need assistance, please call Melissa Palmer at (804) 225-4926.

RAD:mwp
Attachments

c: A. Francis Robinson, Jr., Esq.
Sidley Austin LLP
Matthew M. Hughey, Esq.
Sidley Austin LLP
John J. Conrad
BB&T Capital Markets