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COMMONWEALTH OF VIRGINIA
VIRGINIA PUBLIC SCHOOL AUTHORITY (VPSA)
Board of Commissioners Meeting
Spring Board Meeting – September 25, 2014, 2:00 p.m.
Treasury Board Conference Room, Third Floor
James Monroe Building
101 North 14th Street, Richmond Virginia

Members Present: Brenda L. Skidmore, Chairman
Ben Loyola, Vice Chairman
Jay Bhandari
Walter Mika
Manju S. Ganeriwala
David A. Von Moll
Kent C. Dickey, designee for Dr. Steven Staples

Members Absent: Douglas Combs

Others Attending:

Lisa Williams	McGuire Woods LLP
Ty Wellford	Davenport & Company LLC
Caroline Heggie	Davenport & Company LLC
Kevin Rotty	PFM
Don Ferguson	Office of the Attorney General
Melissa Palmer	Department of the Treasury
Evelyn Whitley	Department of the Treasury
Deidre G. Jett	Department of the Treasury
Bradley Jones	Department of the Treasury
Michael Walsh	Department of the Treasury
Jesse Bausch	Sands Anderson PC
Douglas Stanley	Warren County
Ted Cole	Davenport & Company LLC

Call to Order and Public Comment

Ms. Skidmore called the meeting to order at 2:02 P.M. She stated the first order of business was to provide an opportunity for any public comment. There was no public comment.

Approval of Minutes

Ms. Skidmore asked for a motion for approval of the minutes of the April 2, 2014 Board meeting. Ms. Ganeriwala moved to adopt the minutes of the April 2, 2014 meeting as presented; Mr. Loyola seconded, and the motion carried.

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Introduction of New Board Member Mr. Jay Bhandari and Mr. Walter Mika

Ms. Skidmore introduced Mr. Jay Bhandari and Mr. Walter Mika as the new Board of Commissioners members. Mr. Mika's biography was distributed (Attachment A).

Ms. Whitley introduced Deidre Jett as the new VPSA Public Finance Manager.

Consideration of the Issuance of VPSA School Financing Bonds (1997 Resolution) Series 2014 Fall Bonds

Ms. Jett reviewed the Preliminary Financing Summary and presented the amended Participant List for the proposed issuance of approximately \$154,730,000 School Financing Bonds (1997 Resolution) Series 2014 C (Attachment B). She stated the bonds are expected to be sold competitively on October 29, 2014 and the anticipated delivery date is on or about November 20, 2014. Ms. Jett stated that Smyth County is refunding for the purpose of restructuring outstanding Literary Loans and Smyth County's 2011 B General Obligation Literary Loan Anticipation Notes. Ms. Jett stated that Warren County has requested to issue bonds as part of the pool or as a stand-alone.

Ms. Ganeriwala moved approval of the list of applications for the participants in the VPSA 2014 Fall Bonds sale as presented by staff and the submission of all items necessary to complete their respective VPSA pooled bond applications as amended; Mr. Von Moll seconded and the motion carried unanimously.

Ms. Williams from McGuire Woods LLP, VPSA's Bond Counsel for the transaction, presented Series Resolution No. 14-05 authorizing the issuance of the VPSA Fall Bonds for Board consideration. Ms. Williams stated that the Resolution allows for refunding any portion of the bonds issued by the Authority and outstanding under the 1997 Bond Resolution.

Mr. Von Moll moved the adoption of Series Resolution No. 14-05; Mr. Dickey seconded, and the motion carried unanimously as shown below:

YEAS: Brenda L. Skidmore, Chairman
Ben Loyola, Vice Chairman
Jay Bhandari
Walter Mika
Manju S. Ganeriwala
David A. Von Moll
Kent C. Dickey, designee for Dr. Steven Staples

NAYS: None

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Consideration of the Issuance of VPSA Special Obligation School Financing Bonds, Warren County Series 2014

Ms. Jett reviewed the Preliminary Financing Summary for the \$45,500,000 Special Obligation School Financing Bonds Warren County Series 2014. She stated that Warren County staff was present. Ms. Jett explained that the County is considering three financing options; participating in the pool sale, the stand-alone structure, and a combination of pool and bank placement financing. She stated that the Warren County standalone bonds' tentative expected sale date is between November 1, 2014 and April 1, 2015.

Ms. Ganeriwala requested that a County representative explain the three financing options and the reason the County is considering other options beyond participating in the pool sale.

Mr. Douglas Stanley, Warren County Administrator, stated that about ten year ago, Warren County School Board and Board of Supervisors adopted an aggressive new Capital Improvement Plan. He explained that as part of the plan the County wanted to change the configuration from one high school, one junior high school, and one middle school to a configuration of two high schools and two middle schools. Mr. Stanley stated that as part of that process, the County has already constructed the new 1,200 student Skyline High School which opened in 2007. He stated that in 2007, the junior high school was converted to the new Warren County High School. Mr. Stanley stated that in 2010, the renovation of the former Warren County High School, built in 1940, to Warren County Middle School was completed. He stated that the fourth and final part of the plan is the construction of an 800 pupil, 154,800 square foot middle school with an estimated total cost of approximately \$46.7 million. Mr. Stanley stated that the County plans to advertise for bids in early January, receive bids about the third week of February, and begin construction about the third week of March. He explained that the three financing options including participating in the VPSA pool, stand-alone financing, and a combination of VPSA pool and bank placement will be presented to the Warren County Board of Supervisors at the October 7, 2014 meeting. Mr. Stanley stated that the County has participated in a pool financing in which the County wanted to refinance but was unable to refinance because the pool was unable to refinance. He stated that two years ago the regional jail authority of which Warren County was a member was kicked out of a Virginia Resources Authority pooled bond sale because one of the constituents in another jurisdiction (which was also part of the regional jail authority) filed a lawsuit claiming that the lease revenue bond was unconstitutional. Mr. Stanley stated that as a consequence, the regional jail authority had to issue bonds as a standalone which resulted in an increase in insurance costs for Warren County

Ted Cole from Davenport & Company LLC, Warren County's Financial Advisor for the transaction, stated that a large pool bond sale of \$150,000,000 has the potential to price differently than a \$40,000,000 stand-alone structure.

Ms. Ganeriwala asked what the rating difference between VPSA and Warren County was.

Mr. Cole stated that it was very difficult to quantify the difference between the ratings. He noted that timing and flexibility is important to Warren County and the County will have more flexibility to refinance in a stand-alone structure than in a pool bond sale.

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Mr. Von Moll asked if any locality could withdraw from the pool bond sale without causing detriment to the other pool participant.

Ms. Whitley stated that a locality could withdraw from the pool without affecting the other pool participants.

Mr. Cole stated that Warren County has received bank proposals for the VPSA pool and bank loan hybrid financing option.

Mr. Bhandari moved the adoption of Resolution 14-06 authorizing not to exceed \$45,500,000 Special Obligation School Financing Bonds Warren County Series 2014; Mr. Loyola seconded and the motion carried unanimously as shown below:

YEAS: Brenda Skidmore, Chairman
 Ben Loyola, Vice Chairman
 Jay Bhandari
 Walter Mika
 Manju S. Ganeriwala
 David A. Von Moll
 Kent C. Dickey, designee for Dr. Steven Staples

NAYS: None

Consideration of the Issuance of VPSA School Tax Credit Bonds (Qualified Zone Academy Bonds) Series 2014-1

Ms. Jett provided an overview of the Qualified Zone Academy Bonds (QZAB) program and reviewed the Preliminary Financing Summary and the Cost of Issuance Budget for the School Tax Credit Bonds (QZAB) Series 2014-1.

Ms. Whitley stated that VPSA had issued QZABs in the past but for a single stand-alone issuer. She stated that authorizing the issuance of QZABs as a pool bond sale would be more advantageous for the localities.

Ms. Williams reviewed Resolution No. 14-07 authorizing the issuance of the School Tax Credit Bonds (QZAB) Series 2014-1. Amended pages to the Resolution were distributed that included a schedule that list the 2014-1 localities to which the Virginia Secretary of Education has offered to allocate portions of Virginia's Qualified Zone Academy Bond allocation (Attachment C). Mr. Mika moved the adoption of Resolution No. 14-07 as amended; Ms. Ganeriwala seconded, and the motion carried unanimously as shown below:

YEAS: Brenda Skidmore, Chairman
 Ben Loyola, Vice Chairman
 Jay Bhandari
 Walter Mika

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Manju S. Ganeriwala
David A. Von Moll
Kent C. Dickey, designee for Dr. Steven Staples

NAYS: None

Consideration of the Municipalities Continuing Disclosure Cooperation Initiative

Ms. Whitley reviewed the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative. She stated that the purpose of the MCDC initiative is to provide issuers and underwriters the opportunity to self report instances of material misstatements in bond offering documents regarding the issuer's prior compliance with the continuing disclosure provisions of Rule 15c2-12. Ms. Whitley stated that SEC Rule 15c2-12 prohibits an underwriter from purchasing or selling municipal securities unless an issuer has committed to annually provide continuing disclosure as specified in a written Continuing Disclosure Agreement. She stated that the SEC does not directly regulate state and local governments. She stated that the underwriters' deadline to self report was September 10, 2014 and the issuers' deadline to self report is December 1, 2014. Ms. Whitley stated there is no decision on self reporting.

Ms. Skidmore asked if there are any parameters as to what is considered material.

Ms. Whitley stated that the SEC has not defined materiality. She stated that VPSA has drafted a motion that would give the Treasurer the authority to enter into an agreement without reconvening another VPSA Board meeting. Ms. Whitley stated that a decision will be made in consultation with the Office of the Attorney General and Bond Counsel.

Ms. Skidmore asked if the Board would be notified upon any change in the decision.

Ms. Whitley stated that the Board would be informed of any changes.

Ms Ganeriwala asked what would be the role of the Office of the Attorney General.

Mr. Ferguson stated that the Office of the Attorney General would advise the Virginia Department of the Treasury.

Mr. Von Moll asked if there were any penalties for self reporting.

Ms. Williams stated that if the issuer enters into an initiative before the deadline there would be no financial penalty. She stated that there was no fraudulent intent and because VPSA is constantly in the market the information is readily available.

Ms. Skidmore asked to clarify that the decision would be made by the Treasurer in consultation with the Office of the Attorney General and Bond Counsel.

Ms. Whitley confirmed that the Treasurer would consult with the Attorney General and Bond Counsel in her decision.

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Mr. Ferguson suggested an amendment to the motion to include the chairman in the final decision.

Mr. Von Moll moved that the State Treasurer is authorized to act on behalf of the Virginia Public School Authority in consultation with the Chairman, the Office of the Attorney General and bond counsel to the Virginia Public School Authority regarding any settlement that may be deemed appropriate in regards to the Security and Exchange Commission's Municipal Continuing Disclosure Cooperative (MCDC) Initiative as amended; Mr. Dickey seconded and the motion carried unanimously.

Other Business

Election of Assistant Secretary and Assistant Treasurer #1 for Fiscal Year 2015

Ms. Ganeriwala moved the nomination and election of the following officer to the Virginia Public School Authority for the fiscal year 2015: the Treasury Public Finance Manager (#TRS027) as Assistant Secretary and Assistant Treasurer #1; Mr. Von Moll seconded, and the motion carried unanimously.

Results of Sale and Final Financing Summary

Series 2014 A School Financing Bonds and 2014 B School Financing Refunding Bonds –

Ms. Palmer reviewed the Final Financing Summary for the \$51,510,000 School Financing Bonds (1997 Resolution) Series 2014 A and \$215,405,000 School Financing Refunding Bonds (1997 Resolution) Series 2014 B. She stated the Series 2014 A and Refunding Series 2014 B bonds sold competitively on April 24, 2014 at a true interest cost of 3.136351% and 2.230819%, respectively with a delivery date of May 15, 2014. She stated that Refunding Series 2014 B resulted in \$17,210,569.80 in present value savings or 7.569910% of the refunded bonds. Ms. Palmer stated that \$16.0 million will be distributed to the nineteen localities that were the participants in the outstanding issues that were refunded and the Literary Fund will benefit by \$3.9 million of the savings attributable to local participants that had received an interest rate subsidy from the Literary Fund in their original bond issue.

School Technology and Security Notes Series II – Ms. Palmer reviewed the Final Financing Summary for the \$63,000,000 School Technology and Security Notes Series II. She stated the bonds sold competitively on May 6, 2014 at a true interest cost of 1.024827%.

Adjournment

There being no further business to be brought before the Board, Mr. Von Moll moved that the meeting be adjourned; Mr. Loyola seconded and the motion carried unanimously at 3:12 P.M.

Respectfully submitted,

Deidre G. Jett
Assistant Secretary

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Attachments A through C are available at the Department of the Treasury