

COMMONWEALTH OF VIRGINIA
VIRGINIA PUBLIC SCHOOL AUTHORITY (VPSA)

Board of Commissioners Meeting
Fall Board Meeting – September 8, 2011, 2:00 p.m.
Treasury Board Conference Room, Third Floor
James Monroe Building
101 North 14th Street, Richmond Virginia

Members Present: Woodrow Mullins, Jr., Vice Chairman
Kanchana Thamodaran
Ben Loyola
Manju S. Ganeriwala
David A. Von Moll
Kent C. Dickey, designee for Dr. Patricia Wright

Members Absent: Brenda L. Skidmore, Chairman

Others Attending:	Matt Hughey	Sidley Austin LLP
	Arthur Anderson	McGuireWoods LLP
	Jay Conrad	BB&T Capital Markets
	Matt Palumbo	BB&T Capital Markets
	Courtney Rogers	Davenport & Company LLC
	Don Ferguson	Office of the Attorney General
	Evie Whitley	Department of the Treasury
	Richard Davis	Department of the Treasury
	Melissa Palmer	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Tracy Clemons	Department of the Treasury
	Janet Aylor	Department of the Treasury

Call to Order and Public Comment

Mr. Mullins called the meeting to order at 2:03 P.M. He stated the first order of business was to provide an opportunity for any public comment. There was no public comment.

Approval of Minutes

Mr. Mullins asked for a motion for approval of the minutes of the March 26, 2011 Board meeting. Mr. Von Moll moved to adopt the minutes of the March 26, 2011 meeting as presented; Ms. Ganeriwala seconded, and the motion carried unanimously.

Information Item

Mr. Hughey from Sidley Austin LLP, VPSA's Bond Counsel, reviewed the allegations contained in the complaint filed September 6, 2011 in the Circuit Court of Fluvanna County by the Board of Supervisors of Fluvanna County against Davenport & Company LLC. Mr. Hughey stated that

the allegations involved the investment advisory services of Davenport & Company LLC delivered in connection with the issuance of \$67,525,000 Special Obligation School Financing Bonds Fluvanna County Series 2008. He stated that the initial complaint did not include VPSA or other parties involved in the bond transaction as named parties.

Consideration of the Issuance of VPSA School Financing Bonds (1997 Resolution) Series 2011 Fall Bonds

Ms. Palmer reviewed the Preliminary Financing Summary and presented the Participant List for the proposed issuance of not to exceed \$201,525,000 School Financing Bonds (1997 Resolution), Series 2011 B. Mr. Von Moll asked why Montgomery County was listed as a participant in the 2011 Fall pool bond issue and requesting to issue a separate stand alone bond issuance. Mr. Davis stated that Montgomery County had specifically asked to be considered for both the pool and a standalone, with its final decision to be made prior to the sale of the VPSA's pool bonds. He stated that Montgomery County's requested structuring requirements were unique and that Resolution No.11-05 provides that Montgomery County will constitute a 2011 Fall Local Issuer only if VPSA does not issue bonds for the benefit of Montgomery County pursuant to Resolution 11-07, the Montgomery County standalone resolution

Ms. Ganeriwala moved that the Authority approve the list of applications for the participants in the VPSA 2011 Fall Bonds sale as presented by staff contingent upon the submission of all items necessary to complete their respective VPSA pooled bond applications; Ms. Thamodaran seconded and the motion carried unanimously.

Mr. Hughey from Sidley Austin LLP, VPSA's Bond Counsel for the transaction, presented Series Resolution No. 11-05 authorizing the issuance of the VPSA Fall Bonds for Board consideration. He referred the Board to Exhibit A of the Resolution No.11-05 and stated that to the extent that Montgomery County elects to issue as a stand alone their authorization to deliver local school bonds to be purchased by VPSA pool bonds issued pursuant to Resolution 11-05 will be rescinded.

Ms. Ganeriwala moved the adoption of Series Resolution No. 11-05; Mr. Von Moll seconded, and the motion carried unanimously as shown below:

YEAS: Woodrow Mullins, Jr., Vice Chairman
Kanchana Thamodaran
Ben Loyola
Manju S. Ganeriwala
David A. Von Moll
Kent C. Dickey, designee for Dr. Patricia Wright

NAYS: None

Consideration of the Issuance of VPSA School Tax Credit Bonds (Direct Payment) Series 2011-2

Mr. Davis reviewed the Preliminary Financing Summary and presented the Participant List for the School Tax Credit Bonds Series 2011-2 in the projected amount of \$175,000,000. He stated that the School Tax Credit Bonds Series 2011-2 can be structured to include \$146,600,000 of Qualified School Construction Bonds (QSCBs) as well as up to \$28,400,000 Qualified Zone Academy Bonds (QZABs). Arthur Anderson from McGuireWoods LLP, Bond Counsel for the transaction, explained that the Virginia Secretary of Education has allocated portions of Virginia's QZAB allocation to finance the cost of qualified projects. Mr. Anderson stated that QZAB localities can not use proceeds for new construction and there must be a matching private contribution that is ten percent of proceeds borrowed on a present value basis.

Ms. Ganeriwala moved that the Authority approve the participant list for the School Tax Credit Bonds as presented by staff; Mr. Loyola seconded and the motion carried unanimously.

Arthur Anderson reviewed Resolution No. 11-06, as amended (Attachment A), authorizing the issuance of the School Tax Credit Bonds (Direct Payment) Series 2011-2. Ms. Ganeriwala moved to adopt the Resolution No. 11-06 as presented, Mr. Von Moll seconded and the motion carried unanimously as shown below:

YEAS: Woodrow Mullins, Jr., Vice Chairman
Kanchana Thamodaran
Ben Loyola
Manju S. Ganeriwala
David A. Von Moll
Kent C. Dickey, designee for Patricia Wright

NAYS: None

Consideration of the Issuance of VPSA Special Obligation School Financing Bonds, Montgomery County Series 2011

Mr. Davis reviewed the Preliminary Financing Summary for the \$100,000,000 Special Obligation School Financing Bonds Montgomery County Series 2011. He explained that the County has requested that the repayment of principal and interest be structured to work with the projected tax rate, in lieu of a standard level debt service or level principal repayment structure (Attachment B). Mr. Conrad stated that it is worth considering the issuance of Montgomery County bonds as a standalone due to the size of the bond issue and the structuring parameters requested by Montgomery County, which could negatively affect the VPSA Fall pool participants.

Ms. Thamodaran moved the adoption of Resolution 11-07 as amended (Attachment C); Mr. Dickey seconded and the motion carried unanimously as shown below:

YEAS: Woodrow Mullins, Jr., Vice Chairman
Kanchana Thamodaran
Ben Loyola
Manju S. Ganeriwala
David A. Von Moll
Kent C. Dickey, designee for Patricia Wright

NAYS: None

Other Business

Results of Sale and Final Financing Summary

Series 2011 A School Financing Bonds – Ms. Palmer reviewed the Final Financing Summary for the \$26,375,000 School Financing Bonds (1997 Resolution) Series 2011 A. She stated the bonds sold by competitive sale on April 20, 2011 and the true interest cost was 3.724155%.

Educational Technology Notes Series XI – Ms. Palmer reviewed the Final Financing Summary for the \$51,925,000 School Educational Technology Notes Series XI. She stated the bonds sold competitively on May 25, 2011 at a true interest cost of 0.979421%.

Series 2011-1 QSCB Financing – Mr. Davis reviewed the Final Financing Summary for the \$67,400,000 School Tax Credit Bonds (Qualified School Construction Bonds) Series 2011-1. He stated the bonds sold competitively on June 16, 2011. He noted that there was no effective interest rate as the interest will be reimbursed by the Federal government under the American Recovery and Reinvestment Act of 2009.

2011 Stand-Alone Bond Sale – Prince William County – Mr. Davis reviewed the Final Financing Summary for the \$46,445,000 Special Obligation School Financing Bonds Prince William County Series 2011. He stated the true interest cost for the issuance was 3.147030%.

Consider Renewal and Extension for Bond Counsel Services

Mr. Davis stated the Board's approval was being requested to exercise the first one year option for Bond Counsel services with Sidley Austin LLP as primary vendor and with McGuire Woods LLP as secondary vendor. Ms. Ganeriwala moved to direct staff to extend the contracts for up to one year; Ms. Thamodaran seconded and the motion carried unanimously.

Consider Renewal and Extension for Financial Advisory Services

Mr. Davis stated the Board's approval was being requested to exercise the first one year option for Financial Advisory services with BB&T Capital Markets as primary vendor and with Public Financial Management, Inc. as secondary vendor. Mr. Von Moll moved to direct staff to extend the contracts for up to one year; Ms. Thamodaran seconded and the motion carried unanimously.

Adjournment

There being no further business to be brought before the Board, Mr. Von Moll moved that the meeting be adjourned; Mr. Dickey seconded and the motion carried unanimously at 2:41 P.M.

Respectfully submitted,

Richard A. Davis
Assistant Secretary

ATTACHMENT A

VIRGINIA PUBLIC SCHOOL AUTHORITY

- RESOLUTION -

**AUTHORIZING THE ISSUANCE OF
UP TO ~~\$146,600,000~~175,000,000 IN SCHOOL TAX CREDIT BONDS
(~~DIRECT PAYMENT QUALIFIED SCHOOL CONSTRUCTION BONDS~~)SERIES
2011-2**

September 8, 2011

WHEREAS, the Virginia Public School Authority ("VPSA") was duly created under and pursuant to Chapter 194 of the Acts of Assembly of Virginia of 1962 (as presently codified and amended, being Sections 22.1-162 through 22.1-175, inclusive, of Chapter 11, Title 22.1, Code of Virginia, 1950 (the "Enabling Act")), as a public body corporate and an agency and instrumentality of the Commonwealth of Virginia (the "Commonwealth"), and the Board of Commissioners of VPSA (the "Board"), also created by the Enabling Act, is the governing body of VPSA; and

WHEREAS, by a resolution adopted by the Board on September 11, 2009 (the "Program Resolution"), VPSA established the School Tax Credit Bond Program (the "Program") and authorized the execution and delivery of the Master Indenture, under which VPSA has provided for the issuance from time to time of VPSA Tax Credit Bonds for the purpose of providing funds for the purchase of Local School Bonds to finance the cost of Projects; and

WHEREAS, the Program Resolution and the Master Indenture contemplate that the VPSA Tax Credit Bonds will be (i) payable primarily from payments of the principal of the Local School Bonds and the investment earnings on the Local School Bond principal payments and (ii) secured primarily by a pledge of such payments and earnings, as well as the "state-aid intercept," funds in the Literary Fund available and appropriated for such purpose, and any funds in the general fund of the Commonwealth appropriated for such purpose as provided in Section 22.1-167.2 of the Enabling Act; and

WHEREAS, to further the purposes of the Enabling Act and the Program, VPSA has determined to issue the third Series of VPSA Tax Credit Bonds under the Master Indenture in an aggregate principal amount of up to ~~\$146,600,000~~175,000,000 (as more particularly described below, the "2011-2 Bonds"); and

WHEREAS, VPSA will use the proceeds of the 2011-2 Bonds to (i) purchase the Local School Bonds (the "2011-2 QSCB Local School Bonds") of all or a portion of the Localities (the "2011-2 QSCB Localities") to be listed in one or more Executive Orders issued by the Governor of the Commonwealth related to the distribution of the remainder of the Virginia QSCB allocation under Section 54F(c) ~~for the issuance of QSCBs~~of the Internal Revenue Code of 1986, as amended (the "Tax Code"), to finance the cost of projects specified in such

Executive Order (the "2011-2 QSCB Projects") ~~and (ii, (ii) purchase the Local School Bonds (the "2011-2 QZAB Local School Bonds" and, together with the 2011-2 QSCB Local School Bonds, the "2011-2 Local School Bonds") of all or a portion of the Localities (the "2011-2 QZAB Localities" and, together with the 2011-2 QSCB Localities, the "2011-2 Localities") to which the Virginia Secretary of Education has allocated portions of Virginia's QZAB allocation under Section 54E(c) of the Tax Code to finance the cost of qualified projects (the "2011-2 QZAB Projects" and, together with the 2011-2 QSCB Projects, the "2011-2 Projects"), and (iii)~~ pay the issuance costs of the 2011-2 Bonds; and

WHEREAS, the Master Indenture provides that, as a condition to the issuance and authentication of any Series of VPSA Tax Credit Bonds, VPSA shall deliver to the Trustee a Supplemental Indenture and in connection therewith, VPSA has prepared a Fourth Supplemental Trust Indenture (the "Fourth Supplemental Indenture"), between VPSA and the Trustee; and

WHEREAS, the Fourth Supplemental Indenture will set forth, among other things, (i) the specific payment and redemption provisions for the 2011-2 Bonds and (ii) provisions enabling VPSA and the 2011-2 Localities to benefit from the changes to the QSCB- and QZAB-related sections of the Tax Code set forth in Section 1501 of the Hiring Incentives to Restore Employment Act (the "HIRE Act") enacted on March 18, 2010 by the U.S. Congress; and

WHEREAS, the principal change made by Section 1501 of the HIRE Act is to allow an issuer of a ~~QSCB~~QSCBs and certain QZABs to elect to receive a direct payment of a refundable credit in lieu of providing a federal tax credit to the ~~purchaser~~purchasers or ~~holder~~holders of the ~~QSCB~~QSCBs or QZABs; and

WHEREAS, the refundable credit payable with respect to each interest payment date will be equal to the lesser of (i) the amount of interest payable under the QSCB or QZAB on such date or (ii) the amount of interest which would have been payable under the QSCB or QZAB on such date if such interest were determined of the applicable credit rate determined under Section 54A(b)(3) of the Tax Code (that is, the amount of tax credit that could be claimed by the QSCB or QZAB holder absent the refundable credit election); and

WHEREAS, the foregoing arrangements will be reflected in the following documents, forms of which have been presented to this Board at this meeting: (i) the Fourth Supplemental Indenture, to which the form of the 2011-2 Bonds is attached as Exhibit A; (ii) VPSA's Preliminary Official Statement prepared in connection with the offering and sale of the 2011-2 Bonds, to be dated the date of its mailing (the "POS"); and (iii) a model Bond Sale Agreement (a "Bond Sale Agreement") to be entered into between VPSA and each of the 2011-2 Localities; and

WHEREAS, unless otherwise defined, each capitalized term used in this Resolution shall have the meaning given it in the Program Resolution, the Master Indenture or the Fourth Supplemental Indenture; and

After careful consideration and to further the public purposes for which VPSA was created, NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF VPSA THAT:

1. There is hereby authorized the issuance of VPSA Tax Credit Bonds of VPSA to be known as the School Tax Credit Bonds (Direct Payment ~~Qualified School Construction Bonds~~), Series 2011-2. The 2011-2 Bonds will be issued as a single Series for purposes of the Master Indenture, but for purposes of the Fourth Supplemental Indenture and the Tax Code portions of the 2011-2 Bonds may be issued under two or more series designations. The 2011-2 Bonds shall be in substantially the form attached as Exhibit A to the Fourth Supplemental Indenture. VPSA shall use the proceeds of the issuance and sale of the 2011-2 Bonds in accordance with the Master Indenture and the Fourth Supplemental Indenture to ~~(i)~~ purchase the 2011-2 Local School Bonds from the 2011-2 Localities to finance the cost of the 2011-2 Projects, and ~~(ii)~~ pay the issuance costs of the 2011-2 Bonds.

2. The Board hereby delegates to the Secretary/Treasurer and any Assistant Secretary/Treasurer, any of whom may act (each a "Delegate" and, collectively, the "Delegates"), the power with respect to the 2011-2 Bonds to determine and carry out the following:

(a) *Method of Sale.* To determine whether any or all of the 2011-2 Bonds shall be offered or sold via one or more of the following methods: (i) a competitive sale or (ii) a negotiated sale. If the chosen method of sale is negotiated, a Delegate is hereby authorized to negotiate the sale of the pertinent 2011-2 Bonds to be selected by the Delegate from among the firms comprising VPSA's underwriting team, which is composed of underwriters selected by the Virginia Department of Treasury in connection with its DM 11-001 2011 Request for Proposals for Underwriting Services (the "Underwriters"), and to execute on VPSA's behalf with the Underwriters a Bond Purchase Agreement in substantially the form approved and executed in connection with VPSA's School Tax Credit Bonds (Qualified School Construction Bonds), Series 2009-1 (the "Bond Purchase Agreement"), the terms of which Bond Purchase Agreement shall not conflict with the provisions of this Resolution;

(b) *2011-2 Bonds.* To determine whether the 2011-2 Bonds shall be issued in one or more series, such determination to be made with the advice of VPSA's Financial Advisor, and to take into account, among other things, principles of fairness in establishing the prices to be paid to the 2011-2 Localities for their 2011-2 Local School Bonds;

(c) *Principal Amount of the 2011-2 Bonds.* To determine the aggregate principal amount of the 2011-2 Bonds, such amount, together with other available moneys, to be equal to a sum sufficient (i) to purchase the 2011-2 Local School Bonds, and (ii) to pay the issuance costs of the 2011-2 Bonds, but to be not in excess of \$146,600,000 175,000,000;

(d) *Interest Rates.* To determine the interest rate or rates on the 2011-2 Bonds or any series thereof, with no such rate to exceed 7.50% per annum;

(e) *Maturities.* To determine the maturities and maturity amounts of the 2011-2 Bonds, no maturity to extend beyond December 31, ~~2030~~ 2031, although it is noted that the 2011-2 Bonds or each series thereof is likely to be issued with a single maturity with a term not in excess of the maximum term established by the U.S. Secretary of Treasury in accordance with Section 54A of the Tax Code;

(f) Changes in Redemption Provisions. To determine any changes in the redemption provisions for the 2011-2 Bonds set forth in Article IV of the Fourth Supplemental Indenture;

(g) Dated Date. To determine the dated date or dates of the 2011-2 Bonds or any series thereof;

(h) Date of Sale. To determine the date or dates of sale of the 2011-2 Bonds or any series thereof; and

(i) Other Provisions. To determine any other provisions deemed advisable by a Delegate and not in conflict with the provisions of this Resolution.

To the extent all or any portion of the 2011-2 Bonds are to be sold competitively, the delegations set forth above are further subject to (i) the Financial Advisor's having recommended that the lowest conforming bid or bids to purchase the 2011-2 Bonds be accepted, (ii) the Delegate to whom the authority to accept the lowest conforming bid has been delegated having determined that the bid conforms in all material respects to the requirements of the related Official Notice of Sale, (iii) the Financial Advisor and such Delegate having determined that the bid to be accepted is the lowest bid conforming to the terms of the related Official Notice of Sale, (iv) the true interest cost of such bid not exceeding seven and one-half percent (7.50%) per annum (taking into account the refundable credit payments from the Secretary of the Treasury of the United States), and (v) the Board's not meeting on the date of the sale of 2011-2 Bonds for the purpose of receiving the bids to purchase the 2011-2 Bonds.

Delegates exercising authority granted by this Resolution shall execute a Certificate or Certificates evidencing determinations or other actions taken pursuant to the authority granted in this Resolution, and any such Certificate shall be conclusive evidence of the action or determination of such Delegate as stated therein.

3. A Delegate is hereby authorized to cause:

(a) Summary Notice of Sale. The preparation and publication in connection with the issuance of each series of 2011-2 Bonds to be sold by competitive sale of a Summary Notice of Sale in *The Bond Buyer*, a financial journal published in New York, New York, and devoted primarily to municipal bonds; and

(b) Official Notice of Sale and Bidding Process. The preparation and distribution of an Official Notice of Sale for each series of the 2011-2 Bonds to be sold by competitive sale to address the particular circumstances supporting the use of different series, and the steps to be taken by any Delegate to receive bids for each series of the 2011-2 Bonds either electronically through Parity or a comparable electronic bidding platform or through the delivery of sealed bids to VPSA.

4. The forms of the Fourth Supplemental Indenture, the 2011-2 Bonds, the Bond Purchase Agreement and the model Bond Sale Agreement are approved. The Chairman and any Delegate are authorized to execute and deliver on VPSA's behalf, and, if required, to affix and

attest VPSA's seal on, the Fourth Supplemental Indenture, the 2011-2 Bonds, the Bond Purchase Agreement and the Bond Sale Agreements in substantially the forms submitted to this meeting, with such changes, insertions or omissions as may be approved by the Chairman or the Delegate. Such approval shall be evidenced conclusively by the execution and delivery of such documents on VPSA's behalf. Each officer of VPSA is authorized to execute and deliver on VPSA's behalf such other instruments, documents or certificates, and to do and perform such things and acts as he or she shall deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the Program Resolution, the Master Indenture, the Fourth Supplemental Indenture, the Bond Purchase Agreement, the Bond Sale Agreements or the 2011-2 Bonds. Any of the foregoing previously done or performed by any officer of VPSA is in all respects approved, ratified and confirmed.

5. A Delegate is authorized and directed to have the 2011-2 Bonds prepared, to have the 2011-2 Bonds executed pursuant to the terms of the Master Indenture and the Fourth Supplemental Indenture, to deliver the 2011-2 Bonds to the Trustee for authentication, and to cause the 2011-2 Bonds so executed and authenticated to be delivered to or for the account of the Underwriters or winning bidders upon payment of the purchase price thereof.

6. The POS is approved in substantially the form submitted to this meeting, with such changes, insertions or omissions as may be approved by any Delegate in consultation with VPSA's General Counsel, Bond Counsel and Financial Advisor. The Delegates, any of whom may act, in consultation with VPSA's General Counsel, Bond Counsel and Financial Advisor, are further authorized to deem the POS final on VPSA's behalf in accordance with Rule 15c2-12 of the U.S. Securities and Exchange Commission, to make such changes to the POS after the competitive sale of the 2011-2 Bonds to constitute such document as the final Official Statement for the 2011-2 Bonds, to execute such final Official Statement and to prepare, execute, publish and distribute any other disclosure or sale documents as may be deemed necessary or appropriate to effect the negotiated sale of the 2011-2 Bonds.

7. A Delegate is authorized to provide that the interest rates on each of the 2011-2 Local School Bonds to be purchased by VPSA shall be five basis points (0.05%) above the interest rates on the corresponding 2011-2 Bonds or that the related 2011-2 Locality will pay an upfront flat fee to compensate VPSA for the on-going costs related to administering the 2011-2 Bonds.

8. A Delegate is authorized and directed to execute and deliver on VPSA's behalf simultaneously with the issuance of the 2011-2 Bonds a Tax Regulatory Agreement and/or similar agreements or certificates. The Tax Regulatory Agreement and/or similar agreements or certificates shall set forth the expected use of and investment of all or any portion of the proceeds of the 2011-2 Bonds and include such covenants as may be necessary to establish and maintain the status of the 2011-2 Bonds as QSCBs and/or QZABs under the Tax Code. A Delegate is further authorized to (i) make on behalf of VPSA such elections under the Tax Code with respect to the 2011-2 Bonds as he or she may deem to be in the best interests of VPSA after consultation with VPSA's Bond Counsel and Financial Advisor, (ii) file or provide for the filing of the tax forms with the Internal Revenue Service to receive the refundable credit payments and (iii)

provide for the transfer to the 2011-2 Localities of such portions of the refundable credit payments as may be provided in the Bond Sale Agreements and related documents.

9. The investment of all monies deposited in any of the funds or accounts established by the Master Indenture and the Fourth Supplemental Indenture will be governed by the sections of the Master Indenture and the Fourth Supplemental Indenture related to permitted investments. In addition, a Delegate authorized to contract with the Virginia State Non-Arbitrage Program and/or an arbitrage rebate consulting firm to provide investment and/or arbitrage compliance services with respect to the 2011-2 Bonds.

10. Each officer of VPSA is authorized to execute and deliver on VPSA's behalf such other instruments, documents or certificates, and to do and perform such things and acts as he or she shall deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the Program Resolution, the Master Indenture, the Fourth Supplemental Indenture, the Bond Purchase Agreement, the Bond Sale Agreements or the 2011-2 Bonds. Any of the foregoing previously done or performed by any officer of VPSA is in all respects approved, ratified and confirmed. Each of the authorizations provided to the Chairman in this Resolution may be carried out by the Vice-Chairman in the absence of the Chairman.

11. This Resolution shall take effect immediately.

Adopted: September 8, 2011

A Copy - Teste:

Assistant Secretary/Treasurer,
Virginia Public School Authority

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Statistics:	
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ATTACHMENT B



OFFICE OF COUNTY ADMINISTRATION
MONTGOMERY COUNTY
E. CRAIG MEADOWS, COUNTY ADMINISTRATOR

755 ROANOKE STREET, SUITE 2E, CHRISTIANSBURG, VIRGINIA 24073-3181

August 31, 2011

Virginia Public School Authority Board
Virginia Department of the Treasury
101 North 14th Street
Richmond, VA 23219

Dear Board Members:

On behalf of the Board of Supervisors, I want to thank you for the opportunity to share Montgomery County's plan to address critical school construction needs in our community. Our plan includes financing for three school projects: a new Blacksburg High School, a new Auburn High School, and renovation to convert the old Auburn High School to a new Auburn Middle School.

The plan of finance is roughly \$115 million, consisting of \$15 million of VPSA issued QSCB and \$100 million of VPSA bonds. Our School Board applied to the Virginia Public School Authority for participation in the fall 2011 bond issue. However, through this letter, the Board of Supervisors requests that Montgomery County be allowed to issue the \$100 million in VPSA bonds as a separate stand-alone bond issue. The reasons for our request for a separate issue from the VPSA pool bond sale include:

- ***Flexibility in structuring:*** Due to the size of this bond issue versus the County's current outstanding debt schedule, the principal repayment will not be a typical level debt service or level principal repayment structure. Using either traditional structure would cause the County's real estate tax rate to spike for several years. Instead, a structure has been created to level the County's total debt service requirement over the next several years while including the \$15 million QSCB repayment and the issuance of these new bonds. To achieve this structure, the 2011 bonds are not merely wrapped around the existing outstanding debt service but include other factors such as using debt reserve funds to pay debt service as the older issues mature, as well as using available capital projects funds to reduce debt service spikes in certain years. With a number of participants in the VPSA pool, the ability to implement our proposed structure as a participant in the VPSA pool presents a significant challenge.

- ***Flexibility in being able to call bonds in the future, if necessary:*** The County currently has approximately \$160 million of debt outstanding. After issuance of approximately \$100 million through a VPSA stand-alone issue and \$15 million of QSCB, the outstanding debt total will be around \$275 million, with the new bonds representing nearly forty percent of the County's outstanding debt portfolio. Having the flexibility to call these bonds in the future-- for either refinancing purposes or restructuring purposes due to economic circumstances--is critical to the County's long-term financial planning.
- ***Financial comparison:*** In discussions with our Financial Advisor, Davenport & Company LLC, the trading difference between a Aa1/AA+ VPSA pool and a Aa2/AA VPSA stand-alone Montgomery transaction is virtually break-even, including the five basis point annual pool fee. Additionally, we see a potential advantage to the stand-alone issue considering no large bond fund would have this issue in their portfolio and may 'pay more' for this bond by taking a lower yield in order to diversify.
- ***Rating agency review:*** Due to the magnitude of this issue, the County will be, in any event, having formal credit discussions with the rating agencies. The agencies were alerted to the possibility of this issuance in summer of 2010. Given this issue will have a major impact on the County's outstanding debt, further discussion with the rating agencies is planned.

The Montgomery County Board of Supervisors has formally adopted the proposed plan of finance and has authorized me to move forward with a request for a VPSA stand-alone bond issue to finance these school projects. If I may answer any questions or provide any additional information, please do not hesitate to contact me at 540-382-6954 or meadowfc@montgomerycountyva.gov.

Thank you for your consideration of our request.

Sincerely,



F. Craig Meadows
County Administrator
Montgomery County, Virginia

cc: The Honorable Board of Supervisors of Montgomery County
Courtney Rogers, Senior Vice President, Davenport & Co., LLC

ATTACHMENT C

**VIRGINIA PUBLIC SCHOOL AUTHORITY
BOND RESOLUTION
Adopted on September 8, 2011**

**Authorizing and Securing
Not To Exceed
~~100,000,000~~
Special Obligation School Financing Bonds
Montgomery County Series 2011**

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ARTICLE V.

VIRGINIA PUBLIC SCHOOL AUTHORITY

A RESOLUTION AUTHORIZING THE ISSUANCE OF UP TO \$~~100,000,000~~ SPECIAL OBLIGATION SCHOOL FINANCING BONDS, MONTGOMERY COUNTY SERIES 2011 OF THE VIRGINIA PUBLIC SCHOOL AUTHORITY FOR THE PURPOSE OF PROVIDING FUNDS FOR THE PURCHASE OF LOCAL SCHOOL BONDS OF MONTGOMERY COUNTY, VIRGINIA AND, THEREBY, FOR THE MAKING OF A LOAN TO MONTGOMERY COUNTY FOR PUBLIC SCHOOL PURPOSES; AND DELEGATING TO THE STAFF OF THE VIRGINIA PUBLIC SCHOOL AUTHORITY, SUBJECT TO GUIDELINES AND STANDARDS, AUTHORITY TO SELL THE BONDS AT COMPETITIVE BIDDING OR THROUGH A NEGOTIATED SALE AND FIX THE DETAILS OF THE BONDS.

WHEREAS, the Virginia Public School Authority (hereinafter sometimes called the “Authority”) was duly created under and pursuant to Chapter 194 of the Acts of Assembly of Virginia of 1962 (as presently codified and amended, being Sections 22.1-162 through 22.1-175, inclusive, of Chapter 11, Title 22.1, Code of Virginia, 1950, and hereinafter sometimes called the “Enabling Act”) as a public body corporate and as an agency and instrumentality of the Commonwealth of Virginia (hereinafter sometimes called the “Commonwealth”), and the Board of Commissioners of the Authority (hereinafter sometimes called the “Board”), created by the Enabling Act, is the governing body of the Authority; and

WHEREAS, by virtue of the Enabling Act, the Authority is authorized and empowered, among other things,

(a) to manage and administer as provided in the Enabling Act all moneys or obligations that may be set aside and transferred to the Authority from the principal of the Literary Fund (hereinafter mentioned) by the General Assembly of Virginia for public school purposes pursuant to Article VII, §8 of the Constitution of Virginia and any funds authorized by the General Assembly from the Literary Fund or otherwise appropriated by the General Assembly for public school purposes,

(b) to purchase, with any funds of the Authority available for such purpose, at public or private sale and for such price and on such terms as it shall determine, bonds or other obligations issued by counties, cities and towns under the provisions of the Public Finance Act of 1991, being Chapter 26, Title 15.2 (§15.2-2600 *et seq.*), Code of Virginia, 1950, as hereafter amended, for the purpose of financing capital projects for public schools (said bonds or other obligations being hereinafter sometimes called, collectively, “local school bonds”),

(c) to provide, at one time or from time to time, for the issuance of bonds of the Authority in such amount or amounts as the Board shall determine, payable solely from funds of the Authority, including, but without limitation, (i) payments of principal of and interest on local school bonds purchased by the Authority, (ii) the proceeds of the sale of any such local school bonds, and (iii) any funds appropriated by the General Assembly,

(d) to create and maintain such reserves as the Board shall determine to be proper, and

company or dealer providing the repurchase agreement is obligated to repurchase the Investment Obligations;

(c) certificates of deposit issued by, and time deposits in, any bank or savings and loan association organized under the laws of the Commonwealth, any other state of the United States or the United States, including any Depository, any Paying Agent, any Credit Bank and any Bond Registrar; provided that such certificates of deposit or time deposits are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized, in the manner required and to the full extent permitted by the Virginia Security for Public Deposits Act (Chapter 44, Title 2.2, Code of Virginia, 1950, as amended), such collateral to be held by the Authority or a Depository or a third party acting solely as agent for the Authority or a Depository;

(d) banker's acceptances drawn on and accepted by commercial banks (which may include any Bond Registrar, any Depository, any Credit Provider and any Paying Agent) having a combined capital, surplus and undivided profits of at least \$100,000,000;

(e) commercial paper rated by Fitch, Moody's and S&P, or any two of them if such obligations are unrated by the third, in the highest rating category (without regard to gradations or refinements such as "plus" and "minus");

(f) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by a bond insurance company the bonds insured by which are rated by Fitch, Moody's and S&P or any two of them if such obligations are unrated by the third, in one of the two highest rating categories (without regard to numerical or other gradations or refinements such as "plus" and "minus");

(g) obligations of state or local government municipal bond issuers that are rated by Fitch, Moody's and S&P, or any two of them if such obligations are unrated by the third, in one of the two highest rating categories (without regard to numerical or other gradations or refinements such as "plus" and "minus");

(h) investments pursuant to the Government Non-Arbitrage Investment Act, Chapter 47, Title 2.2, Code of Virginia, 1950, as amended; and

(i) provided it or the provider thereof is rated in one of the two highest rating categories by a Rating Agency, any other investment permitted for the type of money to be invested if the Authority is permitted by the Investment of Public Funds Act (Chapter 45, Title 2.2, Code of Virginia, 1950, as amended) or other applicable law to make or enter into such investment.

Any investment in Investment Obligations described above may be made in the form of an entry made on the records of the issuer of such Investment Obligation.

The term "**local school bonds**" shall mean all or any of the County's general obligation school bonds, not to exceed ~~\$~~100,000,000 aggregate principal amount, that the Authority is authorized by this Resolution to purchase from the proceeds of its Bonds.

this Resolution in an aggregate principal amount equal to the principal amount of such Bond surrendered, of the same maturity and bearing interest at the same rate.

In all cases in which Bonds shall be exchanged or the transfer of Bonds shall be registered hereunder, the Authority shall execute and the Bond Registrar shall authenticate and deliver Bonds within a commercially reasonable time, according to then prevailing industry standards, in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Bond Registrar. The Authority or the Bond Registrar may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to the owner of any Bond for the privilege of exchanging or registering the transfer of Bonds under the provisions of this Resolution.

Section 207. Ownership of Bonds. The Authority, the Bond Registrar, and any Paying Agents may deem and treat the person in whose name any Bond is registered on the books of the Authority kept by the Bond Registrar as the absolute owner of such Bonds for the purpose of receiving payment of the principal of and premium, if any, and interest on, such Bond and for all other purposes whatsoever, whether such Bond be overdue and, to the extent permitted by law, neither the Authority, the Bond Registrar nor any Paying Agents shall be affected by any notice to the contrary.

Section 208. Authorization of Bonds. There are hereby authorized to be issued and secured under this Resolution, Bonds of the Authority to be designated “Special Obligation School Financing Bonds, Montgomery County Series 2011” in an aggregate principal amount of not to exceed \$~~100,000,000~~, 100,000,000, subject to the conditions hereinafter provided in this Section, at any time for the purpose of providing funds for the purchase of the local school bonds. Such Bonds shall be Serial Bonds or Term Bonds or any combination thereof, as shall be determined in accordance with the Series Certificate.

Before any Bonds shall be issued under the provisions of this Section, there shall be delivered a Series Certificate relating to such Bonds, and fixing the details thereof, including the Amortization Requirements, if any, for any term Bonds. The Bonds shall be designated, shall be dated, shall be stated to mature in such year or years and shall be redeemable at such times and prices (subject to the provisions of Article III of this Resolution), all as set forth in the Series Certificate. The interest rate or rates to be borne by the Bonds shall be determined as provided by Section 209 of this Resolution and set forth in the Series Certificate. Such Bonds shall be in substantially the form appearing as Exhibit A to this Resolution and shall be executed substantially in the form and manner hereinabove provided for and shall be deposited with the Bond Registrar for authentication, but before such Bonds shall be authenticated and delivered by the Bond Registrar there shall be filed with the Treasurer of the Authority the following:

- (a) a signed copy of the Series Certificate;

the Bonds and to review the proposals received. In consultation with the Authority's Financial Advisor and the County's financial advisor, the Delegate is authorized to select the investment banking firm or firms submitting the best proposal, taking into account factors such as knowledge of and experience with the Authority, cost and financial strength of the underwriter(s) (the underwriter or underwriters so chosen, the "Underwriters"). In the alternative, the Delegate may choose an Underwriter from a group of qualified investment banking firms selected, following a procurement process, to provide underwriting service for the Commonwealth and other agencies and instrumentalities of the Commonwealth;

(d) If the Bonds are to be sold through a negotiated sale, to execute with the Underwriters a purchase contract (a "Purchase Contract"), the terms of which shall not conflict with the terms of this Bond Resolution. In respect of the Authority's obligations thereunder, the Purchase Contract may contain such representations and covenants as are consistent with those contained in purchase contract approved by the Board in connection with the Authority's Special Obligation School Financing Bonds, Fluvanna County Series 2008, with such modifications as are necessary to reflect the differences between the two transactions;

(e) Determine the principal amount and the Principal Payment Dates of the Bonds and which Bonds are Serial Bonds and Term Bonds, if any, and the Amortization Requirements therefor, provided that the final Principal Payment Date shall be no later than ~~July 15,~~ ~~2036~~15, 2036;

(f) Determine the dated date of the Bonds and the interest rate or rates on and the Interest Payment Dates of the Bonds, no such rate or rates to exceed ~~6.50~~5.50%;

(g) Determine the denomination or denominations of and the manner of numbering and lettering the Bonds;

(h) Determine the optional redemption provisions of the Bonds, the Bonds to be first subject to optional redemption on a date not later than ten years and six months after their dated date and at a Redemption Price not greater than 103%;

(i) If the Bonds are to be sold through a negotiated sale, to accept the offer of the Underwriters in the form of a Purchase Contract, to purchase all of the Bonds at a purchase price reflecting an underwriting discount, not to exceed 1.00% of the par amount of the Bonds, less any original issue discount; and

(j) Determine any other provisions deemed advisable by the Delegate executing the Series Certificate and not in conflict with the provisions of this Resolution.

Such Delegate shall execute a Series Certificate or Series Certificates evidencing determinations or other actions taken pursuant to the authority granted in this Resolution, and any such Series Certificate shall be conclusive evidence of the action or determination of such Delegate as stated therein.

Section 210. **Temporary Bonds.** Until definitive Bonds are ready for delivery, there may be executed, and upon request of the Authority the Bond Registrar shall authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, temporary

ARTICLE XI.

MISCELLANEOUS PROVISIONS

Section 1101. **Effect of Dissolution of the Authority.** In the event of the dissolution of the Authority, all of the covenants, stipulations, obligations and agreements contained in this Resolution by or in behalf of or for the benefit of the Authority shall bind or inure to the benefit of the successor or successors of the Authority from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law, and the word “Authority” as used in this Resolution shall include such successor or successors. If for any reason the State Treasurer shall at any time advise the Authority that he as such State Treasurer will no longer perform the duties imposed upon him by the provision of this Resolution, he shall deliver to the Treasurer of the Authority all property, obligations and moneys held by him under the provisions of this Resolution and his duties under the provisions of this Resolution shall thereafter devolve upon and be performed by the Treasurer of the Authority or by any trustee or Depository appointed by the Authority.

Section 1102. **Successorship of Depository, Bond Registrar and Paying Agent.** (a) Any bank or trust company with or into which any Bond Registrar, Depository or Paying Agent may be merged or consolidated, or to which the assets and business of such Bond Registrar, Depository or Paying Agent may be sold, shall be deemed the successor of such Bond Registrar, Depository or Paying Agent for the purposes of this Resolution. If the position of any Bond Registrar, Depository or Paying Agent shall become vacant for any reason, the Board, provided sufficient funds are available to pay all costs and expenses, if any, reasonably incurred by the Authority in connection therewith, shall appoint a bank or trust company having a combined capital surplus and undivided profits of not less than ~~\$(100,000,000)~~ to fill such vacancy within thirty (30) days after the Authority receives notice of such vacancy.

(b) The Bond Registrar shall give notice of each appointment of such successor by mailing written notice of such event by first class mail, postage prepaid, to all registered owners of the Bonds at their addresses as they appear on the registration books. Neither the Authority nor the Bond Registrar, however, shall be subject to any liability to the Bondowners by reason of its failure to give any such notice.

Section 1103. **Manner of Giving Notice.** Any notice, demand, direction, request or other instrument authorized or required by this Resolution to be given to or filed with the Authority shall be deemed to have been sufficiently given or filed for all purposes of this Resolution if and when sent by overnight delivery or by registered mail, return receipt requested, to Virginia Public School Authority, c/o State Treasurer, P.O. Box 1879, Richmond, Virginia 23215-1879, or, if by hand or overnight mail, 101 North 14th Street, 3rd Floor, Richmond, Virginia 23219.

All documents received by the Authority under the provisions of this Resolution, or photographic copies thereof, shall be retained in its possession, subject at all reasonable times to the inspection of any Bondowner and the agents and representatives thereof.

EXHIBIT A

FORM OF BOND

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE AUTHORITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____

\$ _____

United States of America
Commonwealth of Virginia

**VIRGINIA PUBLIC SCHOOL AUTHORITY
Special Obligation School Financing Bond
Montgomery County Series 2011**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Dated Date</u>	<u>CUSIP</u>
[July 15], 20__	____%	July __, 2011	

Registered Owner CEDE & CO.

Principal Amount _____ Dollars

Virginia Public School Authority (the “Authority”), a public body corporate and an agency and instrumentality of the Commonwealth of Virginia, by the Board of Commissioners of the Virginia Public School Authority (the “Board”) as the governing body thereof, for value received, hereby promises to pay, from certain funds of the Authority (the “Pledged Funds”), to the registered owner named above, or registered assigns or legal representatives, on the maturity date set forth above, upon the presentation and surrender hereof at the office of the State Treasurer, Richmond, Virginia, acting as the Paying Agent, the principal amount set forth above in any coin or currency of the United States of America that on the date of payment thereof is legal tender for the payment of public and private debts, and to pay, from funds of the Authority,

interest on said principal amount from the date hereof or from the [January 15] or [July 15] next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a [January 15] or a [July 15] to which interest shall have been paid, in which case from such date, at the interest rate per annum set forth above until payment of said principal amount, such interest to the maturity hereof being payable, semiannually on the 1st days of [January 15] or [July 15] in each year, commencing [January 15], 2012 in like coin or currency.

The interest so payable on any such interest payment date will be paid to the person in whose name this Bond (or the previous Bond or Bonds evidencing the same debt as that evidenced by this Bond) is registered at the close of business on the record date for such interest, which date shall be the 1st day (whether or not a Business Day) of the calendar month in which such interest payment date shall occur, by check or draft mailed to such person at his address as it appears on the bond registration books of the Authority.

This Bond shall not be deemed to constitute a debt of the Commonwealth of Virginia or a pledge of the faith and credit of the Commonwealth of Virginia, but shall be payable from the Pledged Funds of the Authority. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or of any political subdivision thereof is, or shall be, pledged to the payment of the principal of or the interest on this Bond.

This Bond is one of a duly authorized series of bonds (the “Bonds”), designated “Special Obligation School Financing Bonds, Montgomery County Series 2011”, dated _____, 2011, and issued for the purpose of providing funds for the purchase of local school bonds, issued by Montgomery County, Virginia, of a like principal amount, maturing in like principal installments as the Bonds (the “Local School Bonds”). The Bonds aggregate _____ Million Dollars (\$_____) in principal amount and mature on the [15th day of July] in the following years and in the following amounts, respectively:

<u>Year Of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>
2012	\$	2022	\$
2013		2023	
2014		2024	
2015		2025	
2016		2026	
2017		2027	
2018		2028	
2019		2029	
2020		2030	
2021		2031	

All of the Bonds are issued under and pursuant to a bond resolution duly adopted by the Board on September 8, 2011 (said resolution, together with all resolutions and certificates supplemental thereto as therein permitted, being herein called the “Resolution”). Reference is hereby made to the Resolution for the provisions, among others, with respect to the custody and