

COMMONWEALTH OF VIRGINIA
VIRGINIA PUBLIC BUILDING AUTHORITY
Board of Directors Meeting
July 15, 2011
11:00 a.m.
3rd Floor Conference Room
James Monroe Building
101 North 14th Street,
Richmond, Virginia

Members Present: Sarah B. Williams, Chair
Robert S. Young (Designee for Manju Ganeriwala)
John A. Mahone
David A. Von Moll

Members attending by Phone James H. Flinchum

Members Absent:
F. Dudley Fulton
Robert C. Maddox
Manju S. Ganeriwala (Represented by Designee)

Others Present:

Evelyn Whitley	Department of Treasury
Tracy L. Clemons, Sr.	Department of Treasury
Sherwanda Cawthorn	Department of Treasury
Donald Ferguson	Office of the Attorney General
Eric Ballou	Christian & Barton, L.L.P
Janet Lee (via telephone)	Public Resources Advisory Group
Janet Aylor	Department of Treasury

CALL TO ORDER

With a quorum present, the Chair, Mrs. Williams, called the meeting to order at 11:06 a.m.

PUBLIC COMMENT

There was no public comment.

INTRODUCTION OF NEWLY APPOINTED BOARD MEMBER

Mrs. Williams welcomed and introduced Mr. John Mahone as a newly appointed member of the Board, to replace Sharon McDonald, whose term ended June 30, 2011.

APPROVAL OF MINUTES

The Chair asked for a motion to approve the minutes from the May 25, 2011 meeting of the Virginia Public Building Authority. Mr. Von Moll made a motion to approve the minutes of the May 25, 2011 meeting. The motion was seconded by Mr. Young and unanimously approved by the Board members present.

UPDATE ON VARIABLE RATE PROGRAM

Mr. Clemons provided a briefing on the responses to the liquidity facility Request For Proposals (“RFP”) received for the liquidity facility replacement for the Authority’s 2005D variable rate bonds. He reviewed the proposal process and informed the Board that five proposal responses had been received to replace the liquidity facility Standby Bond Purchase Agreement (“SBPA”) and two responses were submitted for a floating rate note with a fixed spread option. Staff along with the Financial Advisor reviewed all proposals and continued negotiations with three of the firms. Negotiations were held with State Street Bank and Wells Fargo Bank for the replacement SBPA and JP Morgan for floating rate note with the fixed spread. It was determined that the most advantageous option was the replacement facility with Wells Fargo. Mr. Clemons referred members to the form SBPA included in their package. Prior to having Mr. Ballou, Authority Bond Counsel, review the SBPA, Mr. Clemons asked Mrs. Lee of Public Resources Advisory Group (“PRAG”) to make comments.

Mrs. Lee said that the long-term fixed rate tax-exempt market was still strong, however the tax-exempt short-term rates have fallen from approximately 20 basis points to a current level of 7 basis points. Unfortunately the Authority has not been able to take advantage of the lower short-term rates with Dexia, due to the escalation of the European debt crisis. Dexia was put on negative watch by Standard & Poor’s dropping from A1 to A2. On July 8th Moody’s downgraded Dexia’s long term rating to A3 from A1. Moody’s affirmed Dexia short-term rating of P1. Mrs. Lee added that there has been a lot of volatility with Dexia at 290 basis points over SIFMA¹ or about 3% on the VPBA paper in recent weeks. Over the past two weeks Dexia’s rate has fallen to 2.75%. She added that the Authority made a good choice in replacing Dexia; and that she anticipated to see a fall in reset rates once Dexia has been replaced.

Wells Fargo is a much stronger bank, is well received by investors and has less exposure in VRDBs (Variable Rate Demand Bonds) than JP Morgan and Bank of America. We are expecting to see a strong performance. Ms. Lee added that they and staff did look at the

¹ SIFMA stands for Securities Industry and Financial Markets Association.

floating rate note option with JP Morgan. Due to the lack of flexibility for the Authority to terminate in the event of an emergency, everyone agreed that the SBPA was the better option. PRAG also analyzed a fixed rate option for the bonds and calculated that the true interest cost would be 3.16%. The current level of SIFMA is .07%, therefore, including all in cost for the variable rate issue, the Authority is looking at 45 basis points in total cost. Mrs. Lee added that compared to the fixed rate option, the variable rate option will provide the most savings.

Mrs. Lee then fielded questions from the members. Mrs. Williams asked for clarification about the all in rate of .45%. Mr. Ballou commented on the various components of the costs that includes .40% for the Liquidity facility, .05% remarket fee and .03% trustee cost that totals approximately .48%. The approximated SIFMA interest cost based on current conditions would average 20 basis points. Therefore the Authority is looking at a total cost of what would be in the 60 to 70 basis point range.

Mr. Ballou provided a summary of the SBPA. Mr. Von Moll asked if all negotiations had been completed. Mr. Ballou said that one covenant; the "Most Favored Nation" clause was stilling being negotiated. Mr. Ballou further stated that the issue was innocuous due to the high credit quality of the Authority.

Mr. Ballou commend the staff on being astute in getting this process started sooner rather than later. Mr. Ballou reviewed the resolution approving Wells Fargo as the liquidity provider. Section 3 of the resolution approves remarketing supplement, old marketing document and updates the pertinent details including ratings affirmations. He added in paragraph 4 of the resolution that the authority has submitted financing documents to the ratings agency. He noted that Rating Agencies have changed their policies since the 2005D review. There is a chance on the second review could cause the rating agencies to request additional information before they submit a rating. Paragraph 4 authorizes approval of amendments to the financing documents as long as the changes remain advantageous to the Authority and are approved by Counsel to the Authority. The Chair asked if the resolution allows for the issue with the covenant to be dealt with one way or the other. Mr. Ballou affirmed. Mrs. Williams then asked for a motion to approve the resolution. Mr. Young made the motion and it was seconded by Mr. Von Moll with unanimous approval.

OTHER BUSINESS AND ADJOURNMENT

Having no other business to be brought before the Board, the meeting was adjourned at 11:33 a.m.

Respectfully submitted,
Tracy L. Clemons, Sr.
Assistant Secretary/Treasurer #2