

VIRGINIA COLLEGE BUILDING AUTHORITY

May 17, 2023, 2:00 p.m.

Treasury Board Conference Room
James Monroe Building
101 North 14th Street, 3rd Floor
Richmond, Virginia

Members Present: Gary Ometer, Chairman
William Clarke, Jr., Vice-Chairman
Peter Blake
Barry Green
Michael Maul
Randy McCabe
Christine McIntyre
David Richardson
Craig Robinson

Michael Maul arrived at 2:02 p.m. and Peter Blake arrived at 2:08 p.m.

Members Absent: Jerrell Saunders
Martin A. Thomas, Jr.

Others Present:	Scott Detar	Bank of America Securities, Inc.
	Geoff Hoyes	Bank of America Securities, Inc.
	Jorge Rodriguez	Bank of America Securities, Inc.
	Cameron Swift	Bank of America Securities, Inc.
	Megan Gilliland	Kaufman & Canoles
	Ben Willis	Kaufman & Canoles
	George Scruggs	Kutak Rock, LLP
	Donald Ferguson	Office of the Attorney General
	Sean Ekiert	Raymond James & Associates, Inc.
	Ron Tillett	Raymond James & Associates, Inc.
	Grace Khattar	State Council of Higher Education
	Steve McAllister	Washington and Lee University
	Vernita Boone	Department of the Treasury
	Leslie English	Department of the Treasury
	Richard Rhodemyre	Department of the Treasury
	Bradley Jones	Department of the Treasury
	Sandra Stanley	Department of the Treasury

Others Participating by Phone:	Christine Ilarina	Public Resources Advisory Group
	Janet Lee	Public Resources Advisory Group

Call to Order

Chairman Ometer called the meeting to order at 2:00 p.m.

Public Comments

Chairman Ometer asked for any public comments. No public comments were made.

Approval of Minutes of the March 29, 2023 Meeting

Chairman Ometer asked if there were any comments or questions about the revised minutes of the March 29, 2023 meeting, that were disseminated prior to the meeting. Chairman Ometer asked if there was a motion to approve the minutes before the Board. Craig Robinson made the motion; Barry Green seconded the motion, and the motion was unanimously adopted by all members present.

Consideration of Washington and Lee University's Private School Financing Program Application

Richard Rhodemyre welcomed and thanked everyone for attending this off-cycle meeting. He welcomed Steve McAllister, Treasurer and Vice President of Finance for Washington and Lee University, and Megan Gilliland, Counsel to Washington and Lee University. Mr. Rhodemyre explained that this is a conduit private school financing and as part of this, the University is pursuing a tax-exempt issuance and a public hearing is required as a result. He noted that the public hearing notice requirements were met. Mr. Rhodemyre then turned the meeting back over to Chairman Ometer who opened the meeting for a public hearing at 2:02 p.m. Mr. Ometer asked that anyone wishing to address the Board please add their name to the speakers' list. No one added their name to the list. Chairman Ometer asked if anyone present wished to address the Board, to which no one responded. Being there was no comment, Chairman Ometer closed the public hearing at 2:05 p.m.

Mr. Rhodemyre referred the Board members to the Preliminary Financing Summary behind tab two of the meeting packet. Washington and Lee University is pursuing a direct bank placement for up to \$55,000,000. Proceeds of the bonds will be used (1) to finance the acquisition, construction, improvement, furnishing and equipping of various capital projects on Washington and Lee University's campus in Lexington, Virginia, and (2) to finance, if and as needed, amounts required for reserves, working capital, capitalized interest, costs of issuances and other financing expenses related to the issuance of bonds. Mr. Rhodemyre pointed out that a list of projects that the University intends to finance can be found in the Board meeting packet. The financing will be secured by the University's general obligation and the financing will be a direct bank loan with TD Bank. The closing is tentatively scheduled for June 14, 2023. The bond structure is scheduled for 21 years, fully amortized at a fixed rate. Principal payments will begin on January 1, 2026, and interest payments will be due on January 1 and July 1 of each year to maturity. The bonds will be callable at par at any time with 30 days' notice at the discretion of Washington & Lee University. The estimated true interest cost is 3.88% and the resolution has a maximum true interest cost of 5.00%. PFM Financial Advisors, LLC is the financial advisor for this financing. Kaufman & Canoles is the bond counsel. The estimated costs of issuance are \$473,000.

Barry Green asked about the accuracy of the project lists. Discussion ensued. Megan Gilliland confirmed that the list attached to the Virginia College Building Authority resolution is correct.

Dave Richardson asked about the process used to secure TD Bank. Steve McAllister of Washington and Lee University responded that PFM led the RFP process to which eight banks submitted responses to an RFP.

Craig Robinson asked if there are any concerns with private activity issues, to which Ms. Gilliland responded that there are no concerns at this point. However, closer to closing Ms. Gilliland and Mr. McAllister will work through any final diligence for tax matters.

Christine McIntyre asked if the term “working capital” on the project list is standard language, to which Ms. Gilliland responded that Kaufman & Canoles uses that language in all of their Notices of Public Hearing and in the resolutions; however, it is not planned to be used for the transaction.

Chairman Ometer asked if once these bonds were issued, whether Washington and Lee University expected to remain within the University’s self-imposed debt policy. Mr. McAllister confirmed that Washington and Lee University will be within their debt policy limit, but towards the upper end, approximately 9%.

Chairman Ometer asked whether the University had obtained bond ratings. Mr. McAllister responded that they had yet to obtain rating updates but had a conversation with S&P and are working to arrange a conversation with Moody’s.

Ms. Gilliland reviewed the bond resolution. She noted that the required public hearing was held today and that the next step is to present a consent to the Governor for his approval, which is the last step required under IRS regulations. The bond shall (i) be payable solely out of revenues, property or other security derived from or provided by or on behalf of Washington and Lee University, (ii) have a final maturity date not later than December 31, 2053, and (iii) have an aggregate original principal amount (without regard to original issue premium or discount) not exceeding \$55,000,000, and (iv) bear interest at a fixed rate not exceeding 5.0% per year (subject to adjustment pursuant to the terms of Agreement). The actions of the Treasurer in determining and certifying the details of the bond and its sale shall be conclusive, and no further action to approve such details shall be necessary on the part of the Virginia College Building Authority.

Chairman Ometer asked for a motion to adopt the resolution. Will Clarke made the motion, Ms. McIntyre seconded the motion, and the motion was unanimously adopted by all members present.

Other Business

Review of Virginia College Building Authority Educational Facilities Revenue and Refunding Bonds (21st Century College and Equipment Programs), Series 2023AB

Brad Jones updated the Board on the recent Virginia College Building Authority Educational Facilities Revenue and Refunding Bonds (21st Century College and Equipment Programs), Series 2023AB financing that was considered by the Board in March of this year. Mr. Jones referred the Board to the transaction summary and noted that the tender results were strong, and that the sale was held on May 16th and though there was a somewhat challenging market, the results were favorable for the Commonwealth. Mr. Jones then acknowledged Bank of America Securities, Inc. (Book-Running Senior Manager/Co-Dealer Manager) and Raymond James (Co-Senior Manager/Co-Dealer Manager). Mr. Jones invited Scott Detar and Geoff Hoyes to provide an overview of the transaction.

Mr. Detar thanked the Treasury for the opportunity to work on this transaction. He gave special attention to the Treasury team for their innovative thinking in managing this transaction which proved to be one of the more complex transactions that the Commonwealth has undertaken.

Mr. Detar presented an overview of the financing and tender timeline. He shared feedback that was received from bondholders and discussed what changes were made to the Invitation to Tender. Discussion ensued about dialogue held with potential investors who initially had reservations about participating, but ultimately tendered. Discussion also ensued about how the potential for a forward financing affected the participation in the tender. Ms. McIntyre asked if a forward was done, to which Mr. Jones responded that a forward was not done because of the success of the tender.

Mr. Robinson asked about the adjustment to the tender pricing. Mr. Hoyes responded that it made sense to make an adjustment to one maturity.

Mr. Detar shared that the tender offer expired at 5:00 on May 12th and closed with \$352.05 million in bonds offered for tender. On May 15th, certain pricing for the taxable component was set. All \$352.05 million in bonds tendered were accepted out of \$742.93 million of tender candidates, resulting in 47.4% participation. Participation came from banks, insurance firms, investment managers, mutual funds and retail investors. Over \$16.6 million in bonds tendered were offered by retail. A total of \$233.59 million of tax-exempt bonds were tendered by investors out of \$316.16 million of candidates, resulting in a 73.9% participation rate and \$13.2 million in present value savings. A total of \$118.46 million of taxable bonds were tendered by investors out of \$426.77 million of candidates, resulting in 27.8% participation and \$6.6 million in present value savings.

Mr. Detar reminded the Board that when his team was before the Board in March, they estimated a 30% participation rate on the tax-exempt portion and 20% on the taxable portion. Ultimately, there was \$19.8 million in present value savings attributed to the tender component, which is a big success for the Commonwealth.

Chairman Ometer asked about the percentage of savings. Mr. Detar responded that the percentage of savings on the refunding component were about 5.1% in aggregate (a very small portion of BABs were included) and there were additional bonds that were advance refunded that pulled down the refunding savings compared to the tender.

Mr. Detar discussed the preliminary pricing, re-pricing and final pricing of the financing. The Authority went out with \$1.022 billion in bonds with all 5.00% coupons with the exception of two maturities. He discussed the maturities that were over-subscribed and under-subscribed. Maturities in 2035 and out were mainly over-subscribed. A significant balance representing about half of the bonds remained unsold at the end of the initial pricing, so adjustments up were made mainly to the front end and down in the back end and pricing re-opened for an hour. More subscriptions were received, and additional adjustments were made and some of the refunding was removed. Ultimately, the final pricing was about \$961 million in par amount, including about \$100 million underwritten by the syndicate. Interest cost on the aggregate deal increased by about two basis points from the start of pricing and the final true interest cost on the new money bonds was 3.49%.

Ms. McIntyre asked if the cash flow savings were structured equally on an annual basis, to which Mr. Detar responded that it is structured mostly to be equal, but there were also instances of dissavings.

Mr. Ometer asked for the percentage of candidates held by retail versus the percentage of candidates held by institutions and what kind of participation rates applied to each category. Mr. Hoyes responded that he would follow-up and provide that information for the Board.

Mr. Richardson congratulated the entire team for their efforts and hard work on this financing. He thanked the investment bankers for bringing this idea to the Commonwealth. He shared that he is very pleased with the results and appreciative to all involved in the transaction. Chairman Ometer commented on the team's innovative and hard work.

Mr. Robinson asked about the 2042 and 2043 securities' coupons. Mr. Detar responded that using something other than 5.00% was a way to diversify and it was not due to specific demand.

Mr. Green asked about the Commonwealth's current debt capacity to which Mr. Jones responded that the Commonwealth's debt capacity is over \$1 billion. Mr. Richardson elaborated that the Commonwealth is well under the 5% target. Discussion ensued and it was noted that the capacity figure takes into consideration the planned issuance of authorized debt, such as this financing.

Adjournment

Having no other business to be brought before the Board, the meeting adjourned at 2:38 p.m.

Respectfully submitted,

Richard Rhodemyre
Assistant Secretary

Exhibits may be obtained by contacting the Department of the Treasury at (804) 225-2142.