

**COMMONWEALTH OF VIRGINIA
VIRGINIA PUBLIC SCHOOL AUTHORITY (VPSA)**

Board of Commissioners Meeting
Fall Board Meeting – September 14, 2023, 2:00 p.m.
Treasury Board Conference Room, Third Floor
James Monroe Building
101 North 14th Street, Richmond Virginia

Members Present: John R. Riley, Jr., Chairman
David L. Richardson, Treasurer
Betty J. Burrell
Michael Nguyen
Sharon H. Lawrence
Kent C. Dickey, designee for Dr. Lisa Coons

Members Absent: Maria J. Perrotte, Vice Chairman
Cardell C. Patillo, Jr.

Others Attending:	Thomas William Bruno	McGuire Woods LLP
	Anne Curtis Saunders	McGuire Woods LLP
	Caroline Perrin	McGuire Woods LLP
	Ty Wellford	Davenport & Company LLC
	Tyler Smith	Davenport & Company LLC
	Don Ferguson	Office of the Attorney General
	David Swynford	Department of the Treasury
	Bradley L. Jones	Department of the Treasury
	James D. Mahone	Department of the Treasury
	Leslie English	Department of the Treasury
	Vernita Boone	Department of the Treasury
	Melissa W. Palmer	Department of the Treasury
	Janice Wolk Grenadier	Public

Others Attending via Conference Call:	Janet Lee	Public Resources Advisory Group
	Sarah Frey	PFM Financial Advisors LLC

Call to Order and Public Comment

Mr. Riley called the meeting to order at 2:00 P.M.

Mr. Riley stated the first order of business was to provide an opportunity for any public comment.
The following citizen addressed the Board:

Janice Grenadier commented on low-income housing in the City of Alexandria, Virginia and the court system.

Approval of Minutes

Mr. Riley asked for a motion for approval of the minutes of the March 15, 2023 Board meeting. Mr. Dickey moved to adopt the minutes of the March 15, 2023 meeting; Ms. Burrell seconded, and the motion carried unanimously as shown below:

YEAS: John R. Riley, Jr., Chairman
 Betty J. Burrell
 Kent C. Dickey, designee for Dr. Lisa Coons

NAYS: None

ABSTAIN: David L. Richardson, Treasurer
 Michael Nguyen
 Sharon H. Lawrence

Consideration of the Issuance of VPSA School Financing Bonds (1997 Resolution) Series 2023 Fall Bonds

Mr. Richardson stated that he is a retired partner with McGuire Woods, bond counsel to the VPSA and at times to localities within the Commonwealth, and he receives certain residual payments from the firm. Therefore, when approving school bonds, he is required to comply with the declaration requirements pursuant to [§2.2-3112](#) B1, [§2.2-3112](#) B2, subsection F of [§2.2-3114](#), and subsection G of [§2.2-3114](#) of the Virginia State and Local Government Conflict of Interests Act. A copy of the declaration is available for public inspection at the offices of the Virginia Department of the Treasury.

Mr. Mahone reviewed the Preliminary Financing Summary and the Cost of Issuance Budget and presented the Participant List, as amended (Attachment A), for the proposed issuance of approximately \$86,580,000 School Financing Bonds (1997 Resolution) Series 2023 B. He stated the bonds are expected to be sold competitively on October 17, 2023 and the anticipated delivery date is on or about November 9, 2023.

Mr. Richardson moved that the Authority approve the list of applications for the participants in the VPSA 2023 Fall Bond sale as presented by staff and the submission of all items necessary to complete their respective VPSA pooled bond applications; Mr. Nguyen seconded, and the motion carried unanimously as shown below:

YEAS: John R. Riley, Jr., Chairman
 David L. Richardson, Treasurer
 Betty J. Burrell
 Michael Nguyen

Sharon H. Lawrence
Kent C. Dickey, designee for Dr. Lisa Coons

NAYS: None

Ms. Perrin from McGuire Woods LLP, VPSA's Bond Counsel for the transaction, presented the Series Resolution No. 23-04 authorizing the issuance of the VPSA Fall Bonds for Board consideration.

Mr. Dickey moved the adoption of Series Resolution No. 23-04; Ms. Burrell seconded, and the motion carried unanimously as shown below:

YEAS: John R. Riley, Jr., Chairman
David L. Richardson, Treasurer
Betty J. Burrell
Michael Nguyen
Sharon H. Lawrence
Kent C. Dickey, designee for Dr. Lisa Coons

NAYS: None

Consideration of the Issuance of Special Obligation School Financing and Refunding Bonds, Prince William County Series 2023

Mr. Mahone reviewed the Preliminary Financing Summary and the Cost of Issuance Budget (Attachment B) for the \$281,380,000 Special Obligation School Financing Bonds, Prince William County Series 2023A and Special Obligation School Financing Refunding Bonds, Prince William County Series 2023B. He stated that approximately \$141,380,000 in bond proceeds will be issued to pay the cost of various capital school improvement projects for the County and to pay the cost of issuance. Mr. Mahone stated the refunding of approximately \$140,000,000 of certain Authority bonds issued for the benefit of the County and other County obligations that financed capital school improvement projects is unlikely to occur. He stated the bonds are expected to be sold competitively on October 26, 2023 and the anticipated delivery date is on or about November 9, 2023.

At the request of a Board Member made prior to the meeting, Mr. Mahone provided a response by the County (Attachment C) regarding certain comments made as part of Fitch's rating action dated October 6, 2022 and also referenced in the Prince William County's 2022 Fiscal Health Report.

Ms. Frey explained and expanded on the County's response, stating Fitch noted federal defense spending in Northern Virginia has increased generally over the past decade. She stated the federal government, as a percentage of employment in Prince William County (the "County"), has been declining over the past decade from 16% to 5%. Ms. Frey stated since the COVID-19 pandemic, the County has been focused on mitigating risks through diversification of revenue sources. She stated the total County revenues from data centers have grown over the past decade

from about \$6M to over a \$100M. Ms. Frey stated in 2022, the County implemented a new meals and cigarette tax, which together, generated over \$45M of revenue. She stated the County also seeks to mitigate risks through the maintenance of robust reserves such as an unassigned General Fund Reserve, a Revenue Stabilization Reserve, a Capital Reserve, and an Economic Development Opportunity Fund Reserve. Ms. Frey stated the Revenue Stabilization Reserve is relevant regarding federal government risk because it is meant to withstand any economic shocks or unexpected revenue declines. She stated the Revenue Stabilization Reserve is fully funded and has not been used in recent years.

Ms. Perrin summarized Resolution No. 23-05 authorizing and securing the issuance of Special Obligation School Financing and Refunding Bonds, Prince William County Series 2023. Mr. Dickey moved the adoption of Resolution No. 23-05; Ms. Lawrence seconded, and the motion carried unanimously as shown below:

YEAS: John R. Riley, Jr., Chairman
 David L. Richardson, Treasurer
 Betty J. Burrell
 Michael Nguyen
 Sharon H. Lawrence
 Kent C. Dickey, designee for Dr. Lisa Coons

NAYS: None

Consideration of the Issuance of Special Obligation School Financing Refunding Bonds, Prince William County Series 2023

Ms. Perrin summarized the Series Resolution 23-06 authorizing Special Obligation School Financing Refunding Bonds Prince William County Series 2023. The Resolution allows for the issuance of refunding bonds for the County's outstanding VPSA Stand Alone bonds without additional VPSA Board approval assuming certain savings thresholds are met. The Resolution is effective through June 30, 2024

Ms. Lawrence moved the adoption of Resolution 23-06; Mr. Dickey seconded, and the motion carried unanimously as shown below:

YEAS: John R. Riley, Jr., Chairman
 David L. Richardson, Treasurer
 Betty J. Burrell
 Michael Nguyen
 Sharon H. Lawrence
 Kent C. Dickey, designee for Dr. Lisa Coons

NAYS: None

Other Business

Overview of Arbitrage Rebate Payment for VPSA School Technology and Security Notes Series VI

Mr. Mahone explained the Arbitrage Rebate Payment for VPSA School Technology and Security Notes Series VI pursuant to a question asked by a Board Member in July. Discussion ensued.

Results of Sale and Final Financing Summary

Special Obligation School Financing Bonds Prince William County Series 2022 – Ms. Palmer reviewed the Final Financing Summary for the \$42,400,000 School Financing Bonds Prince William County (1997 Resolution) Series 2022. She stated the Series 2022 bonds sold competitively on October 25, 2022 at a true interest cost of 4.084229% to Morgan Stanley & Co., LLC and with a delivery date of November 10, 2022.

Special Obligation School Financing Bonds Stafford County Series 2023 – Ms. Palmer reviewed the Final Financing Summary for the \$89,935,000 School Financing Bonds Stafford County (1997 Resolution) Series 2023. She stated the Series 2023 bonds sold competitively on February 28, 2023 at a true interest cost of 3.519994% to BofA Securities, Inc. and with a delivery date of March 14, 2023.

Series 2023 A School Financing Bonds – Ms. Palmer reviewed the Final Financing Summary for the \$69,780,000 School Financing Bonds (1997 Resolution) Series 2023 A. She stated the Series 2023 A bonds sold competitively on April 25, 2023 at a true interest cost of 3.306296% (based on final sizing) to BofA Securities, Inc. and with a delivery date of May 16, 2023.

School Technology and Security Notes Series XI – Ms. Palmer reviewed the Final Financing Summary for the \$63,640,000 School Technology and Security Notes Series XI. She stated the notes sold competitively via MuniAuction on May 9, 2023 at a true interest cost of 2.503651% (based on final sizing) to Morgan Stanley & Co., LLC with a delivery date of May 23, 2023.

Adjournment

There being no further business to be brought before the Board, Mr. Riley declared the meeting adjourned at 2:52 P.M.

Respectfully submitted,

James D. Mahone
Assistant Secretary

ATTACHMENT A

VPSA ('97 RESOLUTION) SERIES 2023 B
Schedule of participants and related information (NON-SUBSIDIZED)
As of 9/6/23

County/City	Credit Ratings	Proceeds Requested	Maximum Authorized Par Amt.	Project	Bond Counsel	Financial Advisor	Resolutions Received	BSA
Amherst County Up to 30 years (anticipates 25 years) with structured principal beginning July 15, 2031 up to 3 years of capitalized interest	Fitch: NR Moody's: NR S&P: NR	\$17,260,000	\$19,400,000	Additions, improvements and renovations to Amherst County High School.	Megan Gilliland Kaufman & Canoles, P.C.	R.T. Taylor Davenport & Company LLC ¹	School Bd - Y Board of Sp - N	N - BSAs
Frederick County 20 years level principal beginning July 15, 2024	Fitch: NR Moody's: Aa2 S&P: NR	\$20,000,000	\$21,000,000	Addition and renovation construction of James Wood High School.	T.W. Bruno McGuire Woods, LLP ²	N/A	School Bd - Y Board of Sp - Y	N - BSAs
Gloucester County Up to 30 years level debt service beginning July 15, 2024 Reimburse	Fitch: NR Moody's: NR S&P: NR	\$32,620,000	TBD	Gloucester High School and bathroom renovations. Achilles bus loop project.	T.W. Bruno McGuire Woods, LLP ²	Ted Cole Davenport & Company LLC ¹	School Bd - N Board of Sp - N	N - BSAs
Rockbridge County Up to 30 years (anticipates 25 years) with structured principal beginning July 15, 2024 up to 3 years of capitalized interest Reimburse	Fitch: NR Moody's: NR S&P: NR	\$16,700,000	\$18,700,000	Acquire, construct, reconstruct, expand, and equip capital projects for school purposes in the County, including but not limited to construction, renovation, and equipping of the Rockbridge Innovation Center (formerly known as Floyd S. Kay Technical Education Center), and to pay the costs of issuance.	Daniel Lauro BotkinRose PLC	Joe Mason Davenport & Company LLC ¹	School Bd - Y Board of Sp - N	N - BSAs
TOTAL NON-SUBSIDY		\$86,580,000						
TOTAL SUBSIDY		\$0						
GRAND TOTAL		\$86,580,000						

¹Davenport & Company LLC, Financial Advisor to the Authority also serves as a financial advisor to the Counties of Amherst, Gloucester and Rockbridge County which are 2023 B Local Issuers.

²McGuire Woods, LLP, Richmond, Virginia, Bond Counsel to the Authority also serves as bond counsel to the Counties of Frederick and Gloucester which are 2023 B Local Issuers.

ATTACHMENT B

**Virginia Public School Authority
Special Obligation School Financing Bonds
Prince William County, Series 2023
Cost of Issuance**

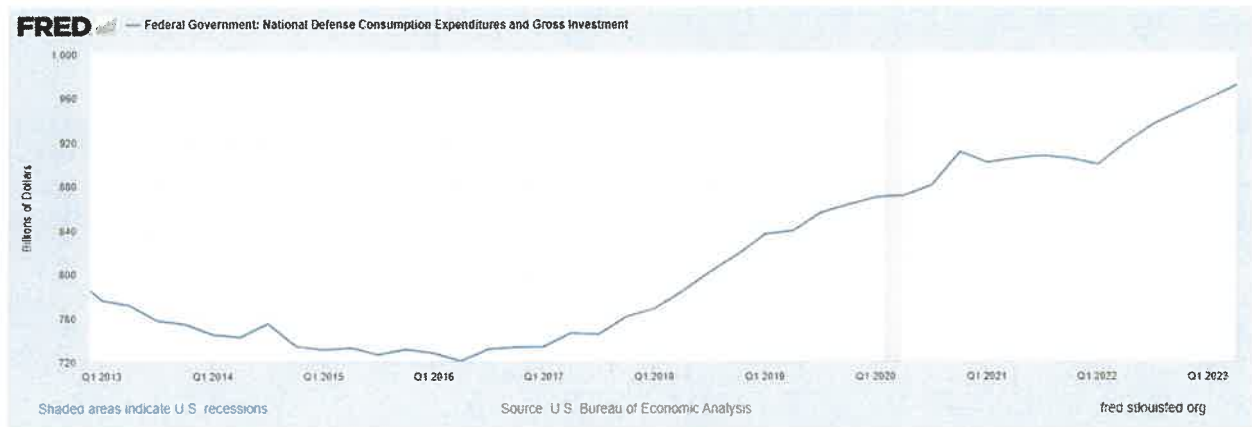
		Par	128,515,000
		Premium	13,829,770
		Proceeds	142,344,770
Prince William County Bond Counsel ¹	\$		95,000
Prince William County Financial Advisor ²			73,625
VPSA Financial Advisor ³			12,000
VPSA Bond Counsel Fee ³			72,500
Local Paying Agent ⁴			1,100
Ratings			
Moody's ⁵			68,850
S&P ⁶			69,525
Fitch ⁷			53,141
Printer ⁸			1,600
Electronic POS distribution / marketing ⁹			750
Contingency			16,909
Total	\$		465,000

1. Fee is an estimate, to be confirmed with the County's Bond Counsel
2. Per FA contract dated May 31, 2017 and most recent contract modifications
3. Per email from Melissa Palmer on September 6, 2023
4. Per fee letter dated August 15, 2023, includes \$300 acceptance & setup fee + \$800 annual administration fee
5. Per email from Omar Lopez on September 7, 2023, reflects a 10% fee reduction
6. Per email from Dawn Lemma on September 7, 2023, reflects a 10% fee reduction
7. Per Fitch Fee Letter on August 14, 2023, reflects a \$10k reduction fee and allocated per par amount for the County's 2 separate bond issu
8. Per email from George Lee on September 7, 2023
9. MuniPlatform Flat Fee per their website (<https://www.muniplatform.com/pricing>)

ATTACHMENT C

We appreciate the opportunity to expand upon the comments made by the Fitch analyst in their ratings action dated October 6, 2022, which was also referenced in the County's 2022 Fiscal Health Report. The comment, pointing to a potential risk to the county's credit rating, was related to high exposure to changes in federal defense spending, which was volatile over the past decade. In light of current concerns about a federal government shutdown, the question is timely and relevant.

The Northern Virginia metropolitan area has certainly benefited because of all federal spending, defense spending representing a significant portion. Whereas there was volatility in prior years, the overall trend in defense spending has been one of significant increase as can be seen in this chart reported by the St Louis Federal Reserve Bank:



U.S. Bureau of Economic Analysis, Federal Government: National Defense Consumption Expenditures and Gross Investment [FDEFX], retrieved from FRED, Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/FDEFX>, September 12, 2023.

Quantico Marine Base remains a large employment center in the county. However, as a percentage of employment in the county, the federal government has been declining over the past decade from 16% to 5% all reported by Fitch in their rating publications.

During the last decade, the county has seen significant growth in revenues from capital investment from the data center industry and diversification of its revenue mix. The county's Board-adopted Principles of Sound Financial Management require the county to strive to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source. To this end, the county has targeted growth in its data center industry, with total county revenues from data centers growing from \$6.2M in FY13 to an estimated \$101.4M in FY23. Additionally, the County adopted a new food and beverage tax effective July 1, 2022, and a new cigarette tax, effective January 1, 2022, which together, generated an estimated \$45.M of revenue in FY23. County leadership continually seeks to mitigate various exogenous risks (e.g., a federal shutdown, pandemic) through prudent financial management (revenue diversification being a foundational policy) and maintenance of strong reserve levels. Those reserves include an unassigned General Fund Reserve, a Revenue Stabilization Reserve, a Capital Reserve, and an Economic Development Opportunity Fund Reserve. The Revenue Stabilization Reserve is a potential source of funding to withstand any economic shocks or unexpected revenue declines resulting from declines or delays in federal spending or related impacts, though this reserve has not been used in recent history.

Again, we appreciate the inquiry and attention to the county's application and look forward to an affirmative resolution.