

**COMMONWEALTH OF VIRGINIA
VIRGINIA PUBLIC BUILDING AUTHORITY
Board of Directors Meeting
September 29, 2017**

1:00 p.m.

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

Members Present: Suzanne S. Long, Chairman
John A. Mahone
Carolyn L. Bishop
Manju S. Ganeriwala
David A. Von Moll
Sarah B. Williams

Members Absent: Kevin M. O'Neill

Others Present:	Janet Aylor	Department of Treasury
	Bradley L. Jones	Department of Treasury
	Sherwanda Cawthorn	Department of Treasury
	William Watt	Department of Treasury
	Don Ferguson	Office of the Attorney General
	Eric Ballou	Christian & Barton, LLP
	Peyton Stroud	Christian & Barton, LLP
	Kevin Rotty	Public Financial Management, Inc.

CALL TO ORDER

With a quorum present, Ms. Long, the Chairman, called the meeting to order at 1:09 p.m.

APPROVAL OF AGENDA

Chairman Long asked if there were any changes requested to the planned Agenda. The Board unanimously approved a motion to accept the Agenda as amended (Attachment A). A change was requested to add a Conflict of Interest Discussion under Other Business.

PUBLIC COMMENT

The Chairman invited the public to address the Board with any public comment. No public comment was made.

WELCOME OF NEW BOARD CHAIR

Treasurer Ganeriwala welcomed and congratulated Ms. Suzanne Long as newly appointed Chairman of the Virginia Public Building Authority (“VPBA”) and thanked Mr. John Mahone, outgoing Chairman, for his service. Chairman Long also thanked Mr. Mahone for his service and congratulated Ms. Williams on her reappointment to the Board.

APPROVAL OF MINUTES

The Chairman asked for a motion to approve the minutes from the August 19, 2016 meeting of the Board of Directors of the VPBA. Mr. Von Moll made a motion to approve the minutes as presented. The motion was seconded by Ms. Bishop. The motion was approved unanimously by the Board. (Attachment B) Mr. Mahone commended staff’s efforts in preparing detailed minutes of meetings. Chairman Long and Ms. Ganeriwala echoed Mr. Mahone’s comments.

ELECTION OF OFFICERS

Ms. Long directed the Board to the next item of business, the nominations and approvals of Secretary/Treasurer and Assistant Secretary/Treasurers #1 and #2. Ms. Long solicited nominations from the Board. Ms. Bishop nominated the Treasurer of Virginia to serve as Secretary/Treasurer, the Director of Debt Management to serve as Assistant Secretary/Treasurer #1 and the VPBA Public Finance Manager to serve as Assistant Secretary/Treasurer #2 of the Authority, effective immediately. No other nominations were made. Ms. Williams made a motion to elect the persons nominated. The motion was seconded by Mr. Mahone and received unanimous approval by the Board. (Attachment C)

The Chairman then moved to the next action item, the nomination and approval of Vice-Chairman of the Board. Ms. Ganeriwala nominated Mr. Mahone to serve as Vice-Chairman of the VPBA. No other nominations were made. Ms. Bishop made a motion to elect Mr. Mahone to serve as Vice-Chairman. Ms. Ganeriwala seconded the motion. The motion was approved unanimously by the Board. (Attachment D)

UPDATE OF VARIABLE RATE DEBT PROGRAM

Chairman Long asked Mr. Kevin Rotty of Public Financial Management (“PFM”) to give the Board an update of the Variable Rate Debt Program and the Authority’s \$50,000,000 2005D Bonds. Mr. Rotty directed the Board to the handout in the Board package. (Exhibit 1) He stated that PFM along with Mr. Jones have been following the variable rate issue closely all year and that usually PFM provides an annual review to the Board. He added that this year with the Wells Fargo liquidity facility agreement coming due there has been work in the background and Mr. Jones has been updating everyone on the progress of the negotiations. Mr. Rotty said that there had been some question about the amortization of VPBA’s 2005D Bonds and why the amortization was weighted at the end of the issue. He explained that the 2005C fixed rate bond issue was issued with the 2005D variable rate bonds. The 2005C bond amortization of debt service began in the earlier years so that the amortization of the 2005D bonds could be amortized for a longer period of time.

He noted Goldman Sachs is the remarketing agent for the variable rate issue and noted the fee. Mr. Rotty said the liquidity facility has been in effect for three years, and was recently extended to November 1, 2017 to allow additional time to negotiate another contract and have the Board meet to approve the new terms.

Mr. Rotty stated that VPBA's \$50,000,000 of variable rate debt represents a little over two percent of the total Authority debt as of June 30, 2017. The policy limit on variable rate debt is no more than 20 percent of the total Authority debt. He added that the variable rate history of the 2005D bonds demonstrates relatively low rates since 2009. Rates increased slightly over the last year but remained under one percent. Mr. Rotty said as of the date the presentation was prepared, the current rate was listed as 79 basis points. However, the rate has increased slightly to 92 basis points as of the meeting. He said historically as the end of a quarter approaches people start drawing down funds to pay their quarterly taxes and for other uses. He said interest rates typically go up during this period and once a new quarter begins rates then go back down. Mr. Rotty said even with adding the liquidity and remarketing fees to the slightly inflated 92 basis points, the total costs remain under 130 basis points on this debt.

Looking forward, Mr. Rotty then discussed the two options for the variable rate debt: renew the liquidity facility or reissue the debt as fixed rate debt. Mr. Rotty said if the bonds had been issued as fixed rate bonds back in 2005, the fixed rate would have been 4.25 %. Since the Authority chose the variable rate option, over \$11 million dollars in interest costs have been saved. He added that if fixed rate bonds had been issued, the debt would most certainly have been refunded over this time period. However, the result of the refunding(s) would likely have been \$2 million less savings. Looking at the issue in the current market, Mr. Rotty said that the fixed rate spread would be approximately 50 basis points to the variable rate if issued in the next bond sale. He added that if the Board moves forward to renew the Wells Fargo liquidity facility the Authority still has the right to call the bonds. PFM recommended to the Board to accept the Wells Fargo proposal and renew for a three-year period at the rate proposed to the Board. Mr. Rotty added that PFM believes Wells Fargo's proposal is fair and consistent with what they have seen with other liquidity agreements. He stated PFM will continue to monitor weekly rates and recommends staying in the variable rate mode. Ms. Ganeriwala asked Mr. Rotty to clarify his statement concerning difference in rates; is it 50 basis points spread or the 75 basis points shown in the chart. Mr. Rotty explained that the percentage quoted is the current difference in interest rate and the all-in costs that include remarketing and liquidity fees. Mr. Rotty explained that when the presentation was prepared the weekly market rate was 79 basis points. Ms. Ganeriwala also asked for clarification as to why the principal in the 2005D issue is not being paid down until years 2022 to 2025. Ms. Aylor stated that it was structured for overall level debt service between Series 2005C and the Series 2005D bond maturities and it is not a bullet payment.

Ms. Williams asked how much variable rate debt is outstanding among other agencies of the Commonwealth. Ms. Aylor stated that VPBA is the only Authority among the boards that Treasury staffs that currently has outstanding variable rate debt. Mr. Mahone asked what other issuers in the Commonwealth use variable rate. It was mentioned that the Virginia College Building Authority ("VCBA") had variable rate debt, but the VCBA refunded the debt through a fixed rate issuance earlier this year.

Chairman Long then asked if there is any penalty for renewing the Wells Fargo liquidity facility for three years and then deciding in six months to change to a fixed rate issue? VPBA's bond counsel, Mr. Ballou, responded that the Authority would cancel the liquidity facility and determine if the bonds can be prepaid and what are the redemption features. He further explained, that generally speaking, when bonds are in variable rate mode it can be prepaid with a fairly short notice. With reference to any penalties or premiums to be paid for terminating the standby bond purchase agreement, Mr. Ballou does not believe there are any. Mr. Rotty stated Mr. Mahone brought up previously whether the Authority should have more variable rate debt. He said that with current market rates issuers can lock in low cost of funds at 2.50% for 20 years. He continued that there is not a lot of variable rate debt in the market even though issues can achieve rates below 1% in variable rate mode. Mr. Rotty added that if rates go up, issuers will then look at the advantages of variable rate debt because they may have budgets relying on lower cost of funds.

Ms. Williams asked from a risk perspective we are not risking the Commonwealth of Virginia's AAA rating? Ms. Aylor responded that actually the Rating Agencies commented that the Commonwealth has very little variable rate debt and have mentioned that they would not object to the state having more variable rate debt. The Commonwealth used have 20% of variable rate debt between the VPBA and VCBA. However, because VPBA and VCBA issued more bonds as fixed rate and not variable rate the percentage declined to less than 1%. Mr. Mahone stated his thought is the Board should maintain approximately 10% of the debt portfolio as variable rate debt.

Ms. Ganeriwala inquired about the amount of Series 2005C Bonds still outstanding. Mr. Jones said the Series 2005C bonds have been refunded so the amount would have to be extracted from data. Mr. Ballou believes that with the standard amortization of VPBA fixed rate debt, the 2005C bonds would be 12 years into the 20-year amortization so the transaction should be approximately 50 percent amortized.

Chairman Long asked Mr. Jones to expound on the negotiations of the liquidity facility with Wells Fargo. Mr. Jones stated the Authority started the conversations with Wells Fargo earlier this year. Wells Fargo provided an initial fee level; however, Mr. Jones successfully negotiated a lower fee than proposed for a 3-year extension. VPBA also did not want to extend the term more than 3 years as fees go up as you increase the years. The cost at three years is the most cost effective structure to pursue. The Authority also saves money on legal fees by not having to renew each year. The negotiated extension will provide a liquidity facility until October 1, 2020. Chairman Long asked if the Board had any additional questions for Mr. Rotty, Mr. Jones or Mr. Ballou about the renewal of the agreement. Hearing none, the Chairman then asked for a motion to direct staff to extend the Standby Bond Purchase Agreement between the VPBA and Wells Fargo and to delegate to the State Treasurer the final approval of the terms and the execution of the extension. Mr. Jones asked to make a statement before going further with the motion. Mr. Jones said since he had already negotiated terms, and a term sheet has been developed, he would recommend that the Board consider moving to extend the Standby Bond Purchase Agreement and delegating to the Treasurer the final approval of the terms and the execution of the extension as discussed by the Board.

Ms. Williams made a motion accounting for the suggested revision. Ms. Bishop seconded the motion and it was approved unanimously by the Board. (Attachment E)

EXTENSION OF FINANCIAL ADVISORY SERVICES CONTRACTS AND MOTION TO DIRECT STAFF TO ISSUE REQUEST FOR PROPOSALS FOR FINANCIAL ADVISORY SERVICES

The Chairman asked Mr. Jones to provide an update regarding Financial Advisory (“FA”) Services Contracts. Mr. Jones explained that in 2013 the Board and staff went through a Request for Proposals (“RFP”) process for FA services. He reminded the Board that PFM was selected to serve as primary FA and Acacia Financial Group (“Acacia”) was selected to serve as secondary FA. He noted that VPBA entered into 3-year contracts with both firms and that the contracts were set to end on October 31, 2016. He explained that both contracts provide two one-year renewal options. The Board approved a one-year extension at the August 19, 2016 meeting and it will be expiring on October 31, 2017. The Board should consider utilizing the final one-year renewal option to extend the contracts to October 31, 2018. He stated that staff has been very satisfied with the level of service PFM has provided VPBA. He further explained that while Acacia has not had the opportunity to provide FA services on the Authority’s bond issuances, he plans to utilize Acacia as FA for the next VPBA deal.

He also mentioned that since the VPBA Board meets infrequently, it would be beneficial for staff to start the next RFP process for securing another contract for FA Services given there are no further extensions beyond the one being considered. Chairman Long asked if any Board members had any questions about the two items. Ms. Long asked Mr. Jones to walk through the likely RFP process. Mr. Jones said should the Board decide to take action, staff would be able to issue an RFP. He added there are a couple of options once those RFPs are received. One option is that staff would review the RFPs and select the best qualified firms, bring these firms before the Board for full interviews and final selection and approval as is provided in the current motion and as was the process used with the last RFP. Another option is to completely delegate the RFP and interview process to staff and for staff to bring the finalist to the Board for approval. Mr. Jones provided a third option which was that a subcommittee of the Board would conduct candidate interviews and bring recommendations to the Board. Ms. Long asked if anyone had any thoughts on the procedure. She mentioned that in the past the Board has conducted the interviews and this seems consistent to other similar boards of state authorities. Ms. Long stated that the current process would be her recommendation and that would match the language as written in the proposed motion included in the package. Ms. Aylor said that the VCBA Board had just recently met and delegated the entire interview and Board recommendation process to staff. VCBA staff would then bring the finalist to the Board for approval. Ms. Ganeriwala asked and Ms. Aylor confirmed that the VCBA used a sub-committee in the last 2013 RFP process. Ms. Aylor said during the last VCBA process, the VCBA conducted a business meeting first and then convened a subcommittee for members wanting to participate in interviews. However, she explained, the current VCBA Board most recently voted for the next proposal process that staff only keep them informed as to who applied and how the process is moving. Ms. Long asked if the VCBA staff has already finished the FA selection process. Ms. Aylor said it will not happen until next year. Ms. Long said the current motion is written such that the entire Board will be listening to the interviews. She mentioned that prior to this discussion, she was under the impression that all Boards were using the Full-Board interview process. She continued that the question before the Board is does the entire Board as a

group want to listen to the interviews of the candidates that have been selected by staff. Ms. Aylor said the interviews would last about 45 minutes each. She stated during the last RFP process each board interviewed approximately three firms. Ms. Williams said she is very confident in the staff and she is also comfortable with either option, but will do whatever the pleasure of the Board. Ms. Bishop and Mr. Mahone echoed Ms. Williams' comments.

Ms. Long then asked to revisit the motion to extend the FA contracts for a year. Ms. Bishop made a motion to approve the second one-year extensions of contracts for FA Services for PFM as Primary Financial Advisor and Acacia Financial Group as Secondary Financial Advisor. Ms. Williams seconded the motion. The motion was approved unanimously by the Board. (Attachment F)

Chairman Long then directed the Board back to consideration of a motion related to the next RFP process. Chairman Long stated now that it has been noted there have been other ways of handling this process, she is comfortable with idea of staff conducting the interviews. However, she asked Mr. Ballou and Ms. Stroud for clarification that shouldn't staff have to come back to the Board for final approval of a contract. Mr. Ballou said that would be the more typical arrangement adding that staff would likely make a report to the Board shortly after interviews and completion of the procurement process. Staff would likely review the firms who participated, the results of the interviews and the rankings of the various respondents and make a recommendation to the Board. Mr. Don Ferguson asked if he could make a suggestion to make the process more flexible. He suggested in the last line of the drafted motion language it could be revised to make "make oral presentations to the Board, or a subcommittee thereof,".

Mr. Ferguson stated that including the subcommittee language in the motion would provide for the potential for a smaller segment of the Board and staff to participate in the oral presentations of FA candidates. Chairman Long then asked would the Board have to elect a subcommittee and include the language in the motion? Ms. Ganeriwala said it could just be interested members who let the staff know of their interest. Mr. Jones could let the Board know when it's time to schedule interviews and those who are interested in being a part of the interview process can let him know and schedule accordingly. Mr. Ferguson further clarified that Chairman Long could appoint a subcommittee.

Chairman Long requested a motion to direct staff to conduct an RFP for FA Services, to review proposals and select firms to present to the Board, or a subcommittee thereof, in order for the Board to make a final selection. The motion was made by Mr. Von Moll, seconded by Ms. Bishop, and approved unanimously by the Board. (Attachment G)

OTHER BUSINESS

Ms. Cawthorn presented the Final Financing Summary (Exhibit 2) of the VPBA's Series 2016 Bonds. The Series 2016 Bonds consisted of four series of bonds sold by competitive bid on September 14, 2016.

The Series 2016A \$206,420,000 New Money Bonds and Series 2016B \$178,955,000 Refunding Bonds were sold as a combined bid. The Series 2016B bonds refunded certain maturities of the Authority's outstanding 2009B and 2011A bonds. The Series 2016A Bonds financed projects

approved by the General Assembly and were structured as serial bonds with annual maturities beginning 8/1/2017 through 8/1/2036. The final maturity of the Series 2016B refunding bonds is not later than the final maturity of the related prior bonds. The TIC for the Series 2016A bonds was 2.52% and the Series 2016B bonds TIC was 1.86% with a combined TIC of 2.24%. Wells Fargo was the winning underwriter with a total of six bids on the day of pricing.

The Series 2016C AMT Bonds final par amount was \$147,420,000. These bonds were issued to finance a portion of a recently authorized Port Authority project. The Series 2016C Bonds were structured as serial bonds with annual maturities beginning 8/1/2017 through 8/1/2036. The TIC on the bonds was 2.89% and J.P. Morgan Securities placed the winning bid with 6 bids received on the day of pricing.

The Series 2016D Taxable Bonds of \$13,830,000 were issued to finance a Fort Monroe Project. The Series 2016D bonds consisted of serial bonds maturing annually in years 8/1/2017 through 8/1/2029, a term bond maturing in 8/1/2032 and an additional term bond maturing in 8/1/2036. The TIC for the Series 2016 Bonds was 2.88% with Raymond James placing the winning bid. Seven bids were received on the day of pricing.

Ms. Cawthorn stated the Net Present Value savings achieved through the 2016B refunding issue totaled \$20,901,462 or 10.78%. She also highlighted the significant savings in issuance costs that were achieved and amounted to \$55,157. The Board had no questions regarding the presentation.

Chairman Long then introduced Mr. Bill Watt, conflicts of interest liaison for Treasury to review the recent changes in conflict of interest reporting and training. Mr. Watt reviewed the requirements of Board members. Ms. Ganeriwala echoed the importance of timely completion of the requirements as it is an audited item.

Chairman Long asked if there was any Other Business. No Other Business was brought before the Board.

ADJOURNMENT

The Chairman asked for motion to adjourn the meeting. Mr. Mahone made the motion to adjourn the meeting. The motion was seconded by Ms. Williams with unanimous approval of the Board. (Attachment H)

The meeting adjourned at 2:00 pm.

Respectfully submitted,
Bradley L. Jones
Assistant Secretary/Treasurer #2

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

**VIRGINIA PUBLIC BUILDING AUTHORITY
BOARD MEETING – SEPTEMBER 29, 2017**

MOTION TO APPROVE SEPTEMBER 29, 2017 MEETING AGENDA

I move to approve the Agenda as amended.

Approval (Yes/No): Yes

Yeas: Unanimous

Nays:

**VIRGINIA PUBLIC BUILDING AUTHORITY
BOARD MEETING – SEPTEMBER 29, 2017**

MOTION TO APPROVE AUGUST 19, 2016 BOARD MINUTES

I move to approve the Minutes of the August 19, 2016 Board Meeting as presented.

Motion: Mr. Von Moll

Second: Ms. Bishop

Approval (Yes/No): Yes

Yeas: Unanimous

Nays:

**VIRGINIA PUBLIC BUILDING AUTHORITY
BOARD MEETING – SEPTEMBER 29, 2017**

**MOTION TO ELECT SECRETARY/TREASURER AND ASSISTANT
SECRETARY/TREASURERS #1 AND #2**

I move to elect the Treasurer of Virginia to serve as Secretary/Treasurer, the Director of Debt Management to serve as Assistant Secretary/Treasurer #1 and the VPBA Public Finance Manager to serve as Assistant Secretary/Treasurer #2 of the Virginia Public Building Authority, effective immediately.

Motion: Ms. Williams

Second: Mr. Mahone

Approval (Yes/No): Yes

Yeas: Unanimous

Nays:

**VIRGINIA PUBLIC BUILDING AUTHORITY
BOARD MEETING – SEPTEMBER 29, 2017**

MOTION TO ELECT VICE-CHAIR

I move to elect John Mahone as Vice-Chair of the Virginia Public Building Authority, effective immediately.

Motion: Ms. Bishop

Second: Ms. Ganeriwala

Approval (Yes/No): Yes

Yeas: Unanimous

Nays:

**VIRGINIA PUBLIC BUILDING AUTHORITY
BOARD MEETING – SEPTEMBER 29, 2017**

MOTION TO EXTEND STANDBY BOND PURCHASE AGREEMENT

I move to extend the Standby Bond Purchase Agreement between the Virginia Public Building Authority and Wells Fargo, and delegate to the State Treasurer the final approval of the terms and the execution of the extension as discussed by the Board.

Motion: Ms. Williams

Second: Ms. Bishop

Approval (Yes/No): Yes

Yeas: Unanimous

Nays:

**VIRGINIA PUBLIC BUILDING AUTHORITY
BOARD MEETING – SEPTEMBER 29, 2017**

**MOTION TO DIRECT STAFF TO EXECUTE ONE-YEAR EXTENSION OF
CONTRACT FOR FINANCIAL ADVISORY SERVICES**

I move to approve one-year extensions of contracts for Financial Advisory Services for Public Financial Management as Primary Financial Advisor and Acacia Financial Group as Secondary Financial Advisor.

Motion: Ms. Bishop

Second: Ms. Williams

Approval (Yes/No): Yes

Yeas: Unanimous

Nays:

**VIRGINIA PUBLIC BUILDING AUTHORITY
BOARD MEETING – SEPTEMBER 29, 2017**

**MOTION TO DIRECT STAFF TO ISSUE RFP FOR FINANCIAL ADVISORY
SERVICES**

I move to direct staff to develop and issue a Request for Proposals for Financial Advisory Services for the VPBA, to review proposals received, and to select those firms deemed most qualified and responsive to make oral presentations to the Board, or a subcommittee thereof, in order for the Board to make the final selection.

Motion: Mr. Von Moll

Second: Ms. Bishop

Approval (Yes/No): Yes

Yeas: Unanimous

Nays:

**VIRGINIA PUBLIC BUILDING AUTHORITY
BOARD MEETING – SEPTEMBER 29, 2017**

MOTION TO ADJOURN

I move that the meeting be adjourned.

Motion: Mr. Mahone

Second: Ms. Williams

Approval (Yes/No): Yes

Yeas: Unanimous

Nays: