

DRAFT

VIRGINIA COLLEGE BUILDING AUTHORITY BOARD OF COMMISSIONERS MEETING

August 6, 2019, 10:30 a.m.

Treasury Board Conference Room

James Monroe Building

101 North 14th Street, 3rd Floor

Richmond, Virginia

Members Present: Lane B. Ramsey, Chairman
Corynne Arnett
Stephanie Calliott
Peter A. Blake
Daniel S. Timberlake
David A. Von Moll
Manju Ganeriwala

Members Absent: John G. Dane, Vice-Chairman
Charles Mann
Shaheed Mahomed

| | | |
|-----------------|--------------------------|----------------------------|
| Others Present: | Donald R. Ferguson, Esq. | Attorney General's Office |
| | Janet A. Aylor | Department of the Treasury |
| | James D. Mahone | Department of the Treasury |
| | Debora Greene | Department of the Treasury |
| | Sean Ekiert | Raymond James |
| | Robert Keasler | Shenandoah University |
| | Christopher Kulp | Hunton Andrews Kurth |
| | Martha Warthen | Hunton Andrews Kurth |
| | Felix Sam | SCHEV |
| | David Swynford | Department of the Treasury |

Call to Order

Mr. Ramsey called the meeting to order at 10:43 a.m. After welcoming visitors, Mr. Ramsey asked if there were any members of the public present that wished to express comments to the Board. There were no public comments.

Mr. Ramsey informed the board there were corrections to the minutes and that a revised blacklined draft copy has been handed out. Mr. Ramsey asked if there were any comments or questions about the revised minutes of the April 2, 2019 Virginia College Building Authority meeting. Hearing none, he requested a motion for approval of the minutes. Mr. Blake made the motion; Mr. Von Moll seconded the motion, and the motion was unanimously adopted by all members present and voting.

DRAFT

Consideration of Amendment to Bond Purchase and Loan Agreement for VCBA/Shenandoah University, Series 2011

Mr. Mahone informed the board that this was not a new bond deal. This bond issue came through the VCBA in 2011 and a similar amendment came before the board in 2015. Include in the package is a letter from the University to Mr. Ramsey. Mr. Mahone then introduced Mr. Bob Keasler from Shenandoah University, their bond counsel, Christopher Kulp and Martha Warthen from Hunton Andrews Kurth and the University financial advisor Mr. Sean Ekiert from Raymond James.

Mr. Keasler greeted the Board and explained that the University had an opportunity to extend the Puts an additional 10 years and was offered a better interest rate that was beneficial to the University. He stated that with the merger of BB&T and SunTrust extending the Puts seem to be an extra layer of protections should there be some change in the business.

Mr. Kulp from Hunton, Andrews Kurth reviewed the amendment documents. He explained the yield and maintenance provision that existed in the documents, which are not unusual for bank placements kicked in when the commercial tax rate went down and so it created, just by the formula, an increase in the interest rate effective to the University to maintain the yield that the bank had initially priced the financing. So one of the amendments is to change that formula to get the effective rate closer to what it was originally so that there is now an interest cost savings to the University. BB&T has also agreed to make this change for all of the University's debt whether issued through the VCBA or their other conduit issuers. The other amendment was to change the defined term for Libor. The Libor as an index will be going away. There was an automatic alternate rate that the documents had that they wanted to get the bank to agree to come to the table and that the University and the bank could agree to a different formula at the appropriate time. They were able to get the bank to agree in the documents that they have an obligation to reach out to the University and to negotiate a particular rate at that time that becomes effective. Another feature related to the rates is, if the tax rates go back up, the formula would work that the interest rate to the University will go down so there is a little bit of a lateral nature to the interest rate formula. Extending the Puts another time period to 2029 gives some certainty to the University for a longer period of time.

Mr. Kulp then reviewed the Resolution. He informed the Board that the Resolution before them authorizes the Chairman or Vice-Chairman to execute the amendments. Also included is an allonge, which is an amendment to the bond itself. Mr. Kulp stated that the University also has an allonge to its promissory note to reflect the changes.

Ms. Arnett asked, with extending the Put period, is it up to the bondholders or the University to put it back. Mr. Kulp stated it is up to the bank.

Ms. Arnett asked if there are bondholders on this or just the bank. Mr. Kulp responded the bank is the sole bondholder.

Mr. Ramsey asked if the repayment schedule would change. Mr. Kulp responded that this is a variable rate financing so by changing the formula the interest rate it is predicted to go down. The University has done a hedge on the other side to try and fix the interest rate exposure.

Discussion ensued.

DRAFT

Ms. Ganeriwala asked Mr. Kulp if he would clarify the 2nd amendment, the interest rate. What happens when the Libor goes away? Mr. Kulp stated that there is an alternate rate they put as the backup rate that requires the two parties to come together initially to try to reach an agreement. If there is no agreement, there will be the automatic rate.

Ms. Ganeriwala asked what is the automatic rate and how is it determined? Mr. Kulp responded the BB&T prime rate.

Discussion ensued.

Mr. Ramsey asked if the bonds are taxable or tax-exempt. Mr. Kulp responded tax-exempt.

Ms. Calliott asked how the prime rate compares to Libor. Mr. Ekiert from Raymond James responded, based on the formula the University has, they pay a percentage of Libor plus a spread. The current market rate is 3.07%. The current prime rate is 5.50%.

Mr. Kulp mentioned that being variable rate debt the University has the option to prepay so if the University is unable to reach an agreement with BB&T they can look around to other banks. This is some protection to the University in that regard.

Discussion ensued.

Mr. Ramsey asked staff if the VCBA offered this type of financing. Ms. Aylor responded that with private colleges we are only a conduit. They bring the financing package to us. We do not have variable rate debt.

Ms. Ganeriwala asked if she understood correctly that they had a SWAP on this to make it fixed. Mr. Kulp responded yes. Ms. Ganeriwala asked why the University is converting the variable rate that gives the flexibility, because in two years they will be facing the market again. By swapping it, they are basically making it non-callable or having to pay a penalty.

Mr. Keasler responded that the University takes a long-term approach to the SWAP. They made sure the Put dates and SWAP dates matched so they do not get in a position that limits their ability to make good decisions. At the moment, it feels like this is in the best interest of the University.

Mr. Ramsey asked if there were any other questions or comments. Hearing none, he asked if any member wanted to make a motion to approve the resolution authorizing the amendments.

Mr. Von Moll moved approval of the motion of the Virginia College Building Authority authorizing the Amendment to Bond Purchase and Loan Agreement for VCBA Educational Facilities Revenue Refunding Bond (Shenandoah University), Series 2011. Ms. Arnett seconded, and the motion was unanimously adopted by all members present and voting.

DRAFT

Other Business and Adjournment

Ms. Greene reviewed the Final Financing Summary for the issuance of \$513,245,000 Virginia College Building Authority Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2019A.). She informed the Board that the bonds priced on May 15, 2019 and closed on June 5, 2019. She reviewed the ratings and summary of bids. The True Interest Cost for the Series 2019A is 2.516275% and the Cost of Issuance is provided on page 3.

Mr. Ramsey asked if there were any additional comments or questions.

Mr. Mahone informed the Board that we expect to follow the typical schedule around the end of September or beginning of October for the fall meeting and that we will provide dates as soon as possible.

Mr. Ramsey asked if there were any additional comments or questions. Hearing none. He requested a motion from Board members for dismissal. Ms. Calliott made a motion for dismissal of the meeting. Mr. Timberlake seconded the motion, and the motion was unanimously adopted.

Having no other business to be brought before the Board, the meeting was adjourned at 11.13 a.m.

Adjournment

Respectfully submitted,

Janet Aylor
Secretary

/s/ Janet A. Aylor

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