VIRGINIA COLLEGE BUILDING AUTHORITY
BOARD OF COMMISSIONERS MEETING
March 29, 2023, 10:30 a.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	
	Barry Green	
	Michael Maul	
	Randy McCabe	
	David Richardson	
	Craig Robinson	
	Jerrell Saunders	
Members Absent:	Peter Blake	
	Christine McIntyre	
	Martin A. Thomas, Jr.	
Others Present:	Scott Detar	Bank of America Securities, Inc.
	Jorge Rodriguez	Bank of America Securities, Inc.
	George Scruggs	Kutak Rock, LLP
	T.W. Bruno	McGuireWoods, LLP
	Donald Ferguson	Office of the Attorney General
	Sean Ekiert	Raymond James & Associates, Inc.
	Ron Tillett	Raymond James & Associates, Inc.
	Charles Kennington	Secretary of Finance Office
	Grace Khattar	State Council of Higher Education
	Vernita Boone	Department of the Treasury
	Jay Conrad	Department of the Treasury
	Leslie English	Department of the Treasury
	Bradley Jones	Department of the Treasury
	Yvonne Scruggs	Department of the Treasury
	David Swynford	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 10:35 a.m.

Public Comments

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

Approval of Minutes of the November 3, 2022, Meeting

Chairman Ometer asked Vernita Boone to review for the Board the minor edits that were made to the draft minutes. Chairman Ometer asked if there was a motion to approve the edited minutes as presented before the Board. Jerrell Saunders made the motion; Will Clarke seconded the motion, and the motion was unanimously adopted by all members present.

Virginia College Building Authority Resolution Consenting to the Defeasance of a Portion of the Outstanding The College of William & Mary in Virginia Notes Issued in Connection with the Virginia College Building Authority's Educational Facilities Revenue Bonds (Public Higher Education Financing Program)

Brad Jones reviewed the William & Mary proposed bond defeasance. William & Mary plans to renovate student housing facilities through a lease arrangement through a nonprofit developer. The defeasance is part of a much larger transaction that involves the privatization of student housing facilities which include the renovation of student housing facilities as part of the arrangement. The existing Virginia College Building Authority (VCBA) Pooled Bonds (2014B and 2016B) associated with the facilities will be required to be defeased to clear the facilities of tax restrictions. Mr. Jones introduced Ron Tillett and Sean Ekiert of Raymond James (Financial Advisors) and T.W. Bruno of McGuireWoods (Bond Counsel).

Mr. Ekiert shared that William & Mary is entering into a transaction with a third party to redevelop some of their student housing facilities. As part of the financing, Willam & Mary will be leasing some of their existing student housing facilities to a nonprofit operator. To facilitate the lease structure, the VCBA Pooled Bond debt that was issued for the existing student housing facilities ($1.4 million of bonds currently outstanding through the VCBA) will be required to be defeased. VCBA approval is required to defease these bonds which is scheduled to occur in June upon the closing of the larger financing for the overall student housing redevelopment.

Chairman Ometer inquired if William & Mary will be using funds from the proceeds of the bond issuance to defease the Bonds or if they will be using a capital donation received from the developer. Mr. Ekiert stated they will be using proceeds from the project financing. A portion of those proceeds will be paid to William & Mary as an up-front lease payment and the proceeds of that lease payment will be used to defease the prior bonds. However, William & Mary may choose to use other funds of the College in lieu of the proceeds of the lease payment depending on the timing of the financing.

Barry Green inquired about transferring the funds prior to the defeasance. Mr. Ekiert responded that William & Mary will be receiving funds from the nonprofit developer and entering into an escrow agreement to defease the VCBA bonds on the same day.

Treasurer Richardson presented a conflict of interest disclosure since he receives a retirement payment from McGuireWoods and McGuireWoods serves as bond counsel for the matter and the VCBA Educational Facilities Revenue and Refunding Bonds (21st Century College and Equipment Programs), Series 2023AB financing that will also be before the Board today.

Mr. Saunders asked if a defeasance is normal in this matter. Mr. Ekiert explained how the defeasance will work. Treasurer Richardson explained that this defeasance is mainly tax-driven. The change of use by the non-profit causes a requirement by federal law to defease the bonds as they cannot remain outstanding on a tax-exempt basis.

Mr. Jones shared that the William & Mary Board of Visitors (BOV) has not yet approved this financing. As such, the VCBA resolution reflects that while the Resolution will be effective, it will not be in full force until the BOV approves the transaction.

Craig Robinson asked if the VCBA normally approves such a matter before approval by the BOV. Mr. Jones responded that in general, the BOV’s approval would normally be obtained before the VCBA’s approval. However, with the timing of this VCBA meeting and the fact that the BOV plans to act on the matter in the next couple of weeks, it made sense to request the VCBA’s approval at this meeting. Chairman Ometer explained that there are two ways that the VCBA could address the matter. One way is to set aside an Executive Committee to address the matter and the second is to approve the Resolution subject to the BOV’s subsequent approval.

T.W. Bruno shared that William & Mary had a similar transaction back in 2020 where they restructured some of their debt which included paying off VCBA debt as part of a larger refunding. Mr. Bruno then reviewed the VCBA Resolution. The Resolution authorizes the VCBA to enter into an escrow agreement to defease the 2014 and 2016 bonds that relate to the student housing project and to amend the necessary existing VCBA pooled documents. VCBA approval is contingent upon the BOV approving their Resolution. The BOV Resolution will include this specific language authorizing the defeasance component of the transaction. The goal for this transaction is to close by June 30, 2023; however, an expiration date of December 31, 2023, is incorporated in the resolution in case the transaction carries over into July.

Mr. Green inquired about the potential impact on this particular transaction if the federal government debt ceiling is not increased. Mr. Bruno responded that they could subscribe to State and Local Government Securities (SLGS) for the escrow or they could use open market securities through an open market bidding process. Mr. Jones responded that William & Mary could also set aside cash to defease the existing VCBA bonds. Mr. Ekiert added that if the debt ceiling is not increased prior to the escrow closing, William & Mary could deposit cash sufficient to defease these existing bonds and not assume there would be interest income from U.S. Treasuries.

Discussion ensued.

Chairman Ometer asked if there was a motion to adopt the Resolution as presented. Treasurer Richardson made the motion; Will Clarke seconded the motion, and the motion was unanimously adopted by all members present.

Virginia College Building Authority Resolution Approving the Consolidated Amendment of its Educational Facilities Revenue Bond (Private School Financing Program) for the Benefit of Lynchburg University (previously Lynchburg College), Series 2010A

Mr. Robinson recused himself from voting on this matter as he is a Truist employee.

Mr. Jones shared that Lynchburg University Educational Facilities Revenue Bond issued through the Virginia College Building Authority’s (VCBA) Private School Financing Program in 2010 through a loan agreement requires amending because the method of calculating the interest rate incorporated in the agreement is tied to LIBOR. With LIBOR going away, Lynchburg University is seeking to replace their LIBOR-based index with SOFR or an alternative index on or about June 30. Woods Rogers (University’s Counsel) is seeking VCBA approval so that Kutak Rock, LLP (VCBA’s Counsel) can provide the University an opinion of bond counsel. Mr. Scruggs shared that there are several like cases occurring with colleges and universities and in some cases the bank has elected not to bring the case before the Board. In this case, the University elected to bring this matter before the Board for assurance that the amendment is approved.

Discussion ensued.

Chairman Ometer asked if there is a letter of credit associated with this transaction or was it secured by a credit facility. Mr. Scruggs responded that he was unable to answer that question. Mr. Scruggs shared that this is a conduit financing and no assets of the Commonwealth or the VCBA are involved in the financing. Chairman Ometer asked if this transaction was in Truist's portfolio. Mr. Robinson responded that Truist is the holder of the bond, but typically in such a scenario, there is some sort of collateral.

Mr. Scruggs explained to the Board the VCBA's standard programs for public institutions where Commonwealth funds are used to repay the debt. The Authority also has a program for private institutions in which it avails itself as the Issuer of bonds to facilitate tax-exempt financing. With conduit financings, the Bonds are secured by funds of the private institutions and there are no Commonwealth funds involved in the financing. The Authority strictly serves as a conduit to enable tax-exempt financings.

Chairman Ometer asked if there was a motion to adopt the Resolution as presented. Mr. Green made the motion; Mr. McCabe seconded the motion, and the motion was unanimously adopted by all members present except Mr. Robinson who recused himself from the vote.

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

Leslie English introduced members of the underwriting team to include Scott Detar and Jorge Rodriguez of Bank of America Securities, and Ron Tillett and Sean Ekiert of Raymond James. She also introduced Janet Lee and Christine Ilarina of Public Resources Advisory Group, VCBA's Financial Advisors who were joining by phone.

Ms. English reviewed the Preliminary Financing Summary and related documents for the proposed issuance of $618,840,000 of VCBA Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2023A and $45,850,000 of VCBA Educational Facilities Revenue Refunding Bonds (21st Century College and Equipment Programs) Series 2023B. The proceeds of the 2023A Bonds are being used to (i) finance approximately $600 million of certain capital projects and acquire approximately $91.65 million of equipment for public institutions of higher education in the Commonwealth, and (ii) pay the cost of issuing the bonds. The proceeds of the 2023B Bonds are being used to (i) pay the purchase price for certain outstanding bonds or portions thereof tendered to the Authority pursuant to a tender transaction, (ii) refund certain outstanding bonds or portions thereof of the Authority, and (iii) pay the cost of issuing the bonds. Issuance of the 2023B Bonds is subject to market conditions.

Ms. English informed the Board that the bonds will be issued under the Authority's 21st Century College and Equipment Programs and the bonds are secured by funds appropriated by the General Assembly. The Bonds represent the fifty-third and fifty-fourth series of bonds issued under the Master Indenture of Trust under the program. The bonds are scheduled to be priced on a negotiated basis on May 16, 2023, with a delivery date of June 6, 2023. Ms. English then reviewed the bond structure. The Series 2023A Bonds will be serial bonds maturing annually in the years 2024 through 2043. The Series 2023B Bonds will be serial bonds maturing annually in the years 2027 through 2034. Interest will be paid semiannually on February 1 and August 1, beginning August 1, 2023. Principal will be paid annually on February 1, beginning February 1, 2024, for the 2023A Bonds and February 1, 2027, for the 2023B Bonds. She stated the estimated True Interest Cost (TIC) for the aggregate of the two series as of March 28, 2023, is 3.45%. The Series 2023A new money bonds TIC is estimated at 3.5% and Series 2023B bonds TIC is estimated at 2.65%. The maximum All-in TIC incorporated in the VCBA Resolution is 5.50% for bonds issued on a tax-exempt basis for the Series 2023A Bonds and 4.75% for the Series 2023B Bonds. The anticipated ratings are Moody's Investors Services, Inc. Aa1, Standard & Poor's and Fitch Ratings, Inc., AA+.

Ms. English informed the Board that the underwriting syndicate will be led by Bank of America Securities, Inc.; Book-Running Senior Manager/Co-Dealer Manager. The Co-Senior Manager/Co-Dealer Manager is Raymond James. The Co-Managers are Academy Securities, Goldman Sachs & Co. LLC, Jefferies LLC, and Siebert Williams Shank & Co., LLC. The Costs of Issuance are estimated at $464,500, excluding underwriters' discount and dealer manager fees and expenses. Presently, the total savings on the bonds is estimated at $7.6 million and present value savings at $6.1 million with a percentage of 9.82% of present value savings to ratio of the refunded par. Kutak Rock, LLP serves as Bond Counsel and Public Resources Advisory Group serves as Financial Advisor. The Bank of New York Mellon serves as Trustee. Mr. Robinson inquired about the present value savings threshold of 3%. Mr. Jones responded that 3% has typically been the target goal of the Treasury Board and is included in the Treasury Board's Debt Structuring Guidelines for bonds that have been outstanding for more than five years. He explained that the numbers in the Preliminary Financing Summary do not account for the potential refunding of the Build America Bonds'(BABs). Discussion ensued particularly around the BABs subsidies and when/if they would be available.

Treasurer Richardson shared that 3% savings is the minimum and the preliminary numbers currently estimate 9% present value savings. He stated that there is uncertainty with BABs.

Discussion ensued.

Chairman Ometer asked if there is any savings (less than the 3% savings level), would the decision be to refund the BABs. Treasurer Richardson confirmed.

Discussion ensued.

Scott Detar of Bank of America Securities (BofA) introduced himself and thanked the Board for the opportunity to work with them, along with Raymond James. Mr. Detar introduced Jorge Rodriguez who leads BofA's liability management team. Mr. Rodriguez presented the tender offer financing to the Board. The tender offer is an offer to investors to sell the bonds back to the Issuer for cash. In a current refunding, the issuer has control over whether the bonds are refinanced. With the tender offer, the investor gets to make the decision. The purchase price (tender offer) will be such that the cost to refinance the bonds with new bonds will be lower than the current cost of the outstanding bonds, resulting in a present value savings. Most of the candidates are taxable bonds and taxable bonds typically have a higher cost. The taxable bonds that are being considered for the tender were issued for tax-exempt qualified purposes, as such we can enact a current refunding and fund that purchase with tax-exempt bonds and generate savings. Also, most of those taxable bonds can be purchased below par. A participation rate is estimated at between 20 – 30%.

Michael Maul asked why the bonds were issued as taxable debt instead of tax-exempt debt. Mr. Jones responded that the 2017 Tax Cuts and Jobs Act removed the ability to advance refund bonds on a tax-exempt basis. Prior to the 2017 Tax Cuts and Jobs Act, you could enact one advance refunding with tax-exempt bonds prior to the call date. With the 2017 Tax Cuts and Jobs Act, you have to wait for the call date (current refunding) to utilize tax-exempt bonds. He noted that the 2020 taxable bonds were issued to advance refund prior tax-exempt bonds given the available savings.

Discussion ensued.

Mr. Jones shared that the tender offer financing is timely. With issuing the new money bonds and the tender participation rate expected to be around 20 – 30%, the timing allows the tender financing to be issued in conjunction with the new money bonds as opposed to having a stand-alone issuance for the tender component.

Discussion ensued.

Mr. Robinson asked about the participation rate. Mr. Rodriguez discussed the process to identify who holds the bonds (Security Position Report and Non-Objecting Beneficial Owners List).

Mr. Green asked about the feds' actions on purchasing and now divesting debt and how it impacts the bonds. Mr. Jones stated that is priced in the rates that the VCBA will receive. Mr. Rodriguez responded that it is not a visible stress point for the market at this time.

Discussion ensued.

Mr. Robinson asked for a general overview of the Muni-market, to which Mr. Detar responded.

Mr. Maul asked if Chapter 2 of the 2022 Virginia Acts of Assembly has sufficient debt service for this issuance, to which Mr. Jones confirmed and he shared that the new money bonds in this financing can be downsized if the need arises, but that sufficient capacity exists given the Virginia Public Building Authority did not issue bonds this spring so monies are available for VCBA from that program if needed.

Chairman Ometer asked that during postmortem that someone review the portfolio uptake on the retail side versus (what kind of tax equivalent yield they can get on something else) the institutional side (volatility in the market).

Mr. Scruggs reviewed the Resolution before the Board. He shared that the Invitation to Tender Bonds is still under development. This document is a mini-offering document that is provided to the holder of the bonds that sets forth parameters of the tender offer. It is an evolving document and authorization is provided to the Treasurer to sign-off on. Mr. Scruggs reviewed the issuance parameters in the Resolution. Mr. Scruggs provided an overview of Build America Bonds.

Discussion ensued regarding the maximum TIC for the new money bonds.

Mr. Green asked if the Resolution needs to reflect private colleges and universities. Mr. Scruggs responded that the Resolution does not, in this instance, need to reflect private colleges and universities as this issuance is providing financing to public universities through the Authority's 21st Century College and Equipment Programs.

Chairman Ometer asked if there was a motion to adopt the Resolution as presented. Mr. Clarke made the motion; Treasurer Richardson seconded the motion, and the motion was unanimously adopted by all members present.

Other Business

Motion to Adopt Virginia College Building Authority Remote Meeting Policy Regarding Electronic Participation in Meetings

Don Ferguson presented updates to the Virginia College Building Authority (VCBA) Remote Meeting Policy Regarding Electronic Participation in Meetings. During the COVID-19 shut-down, the General Assembly was aware of the desire and need to loosen some of the rules for electronic participation for public boards. Over the last couple of Sessions, they made changes to the Virginia Freedom of Information Act. This policy seeks to capture those changes. These changes affect the

Board as a whole and individual members. The first policy change seeks to clarify that during a state of emergency, public Boards have much more flexibility in meeting electronically. They eliminated the need for any electronic meeting to be specifically designed to respond to the emergency. Now, during a state of emergency, any public Board can meet to carry out its ordinary course of business. The second change that affects the Board is the Board now has the authority to meet virtually even in the absence of a state of emergency, limited to either two times during a calendar year or 25% of the meetings for the year. However, consecutive virtual meetings may not be held.

The changes that affect individual members include when the Board has a quorum in one physical location, but individual members may need to participate electronically. In the case of a disability or medical condition that make it difficult to participate in person, Board members may participate electronically. Also, if a Board member's family member requires them to provide care that prevents the Board member's physical presence at the meeting, they may participate electronically. There is no limit on the number of times a Board member may be permitted to use the aforementioned two excuses to participate in a public board meeting electronically.

If a Board member notifies the Chair that they have a personal matter and identifies with specificity the nature of the personal matter, they may participate in the public meeting electronically, but may not do so more than two meetings per calendar year or 25% of the meetings held per calendar year rounded up to the next whole number, whichever is greater.

Another possibility allowed by statute allows members who live more than sixty (60) miles from the meeting place to participate electronically an unlimited number of times. Other Boards have rejected this possibility. Therefore, that aspect is not included in the policy as drafted.

Mr. Green asked about giving public notice of electronic meetings. Mr. Ferguson responded that giving public notice is not spelled-out in the statute. However, the Treasurer can decide the appropriate notice of electronic meetings and the Office of the Attorney General will provide any guidance on questions pertaining to proper notice.

Chairman Ometer asked about the remote location not needing to be open to the public.

Discussion ensued.

Chairman Ometer asked if the Board wished to consider the 60-mile modification. Hearing none, Chairman Ometer asked for a motion to approve the policy as presented before the Board. Treasurer Richardson made the motion; Mr. Maul seconded the motion, and the motion was unanimously adopted by all members present. The changes to this policy are effective immediately.

Final Financing Summary – Virginia College Building Authority Educational Facilities Revenue Bonds (Public Higher Education Financing Program), Series 2023A

Ms. English reviewed the Final Financing Summary for the $124,735,000 Virginia College Building Authority (VCBA) Educational Facilities Revenue Bonds (Public Higher Education Financing Program), Series 2023A. The proceeds of the bonds were used to finance seven authorized capital projects for William & Mary, Virginia Polytechnic Institute and State University and Virginia State University. Ms. English informed the Board that the Bonds were issued under the VCBA's Pooled Bond Program and the Bonds are secured by payments made under promissory notes issued by the participating institutions pursuant to loan agreements between the participating institutions and the VCBA. The Bonds represent the thirty-seventh issuance of Bonds under the program. Ms. English noted that the Bond issue priced on a competitive basis on January 18, 2023, and closed on February 8, 2023. Ms. English stated that the Bonds have a term of thirty years with principal paid annually on September 1, beginning September 1, 2023 through September 1, 2052. Interest is paid semi-annually on March 1 and September 1, beginning September 1, 2023. She then reviewed the redemption provisions and bond ratings. The VCBA received twelve bids and the winning bidder was Mesirow Financial with a True Interest Cost (TIC) of 3.439247% and an All-in True Interest Cost of 3.4635% based on final sizing. J.P. Morgan submitted the cover bid at a TIC of 3.451454%. Ms. English noted that the maximum All-in True Interest Cost incorporated in the Resolution was 5.75%. Ms. English noted that the final estimated Costs of Issuance were $392,663, excluding the underwriters' discount.

Adjournment

Having no other business to be brought before the Board, the meeting adjourned at 11:43 a.m.

Respectfully submitted,

Leslie English
Assistant Secretary

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