

**VIRGINIA COLLEGE BUILDING AUTHORITY
BOARD OF COMMISSIONERS MEETING**

March 7, 2024, 2:00 p.m.

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

Members Present: Gary Ometer, Chairman
Dr. Alan Edwards
Barry Green
Michael Maul
Christine McIntyre
David Richardson
Craig Robinson

Members Absent: William Clarke, Jr. Vice Chairman
Sharon Lawrence
Martin A. Thomas, Jr.
Jerrell Saunders*

Others Present:

George Scruggs	Kutak Rock, LLP
Donald Ferguson	Office of the Attorney General
Scott Laws	Office of the Attorney General
Sherwanda Cawthorn	Department of the Treasury
Leslie English	Department of the Treasury
Bradley Jones	Department of the Treasury
Richard Rhodemyre	Department of the Treasury
Sandra Stanley	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 2:02 p.m.

Public Comments

Chairman Ometer noted there were no members of the public outside of staff and advisors to the Board present to be able to participate in the public comment period.

Approval of Minutes of the January 18, 2024, Meeting

Chairman Ometer stated that a few minor edits were made to the draft minutes circulated prior to the meeting. Those changes were distributed at the meeting for the members present. Chairman Ometer asked if there was a motion to approve the revised minutes as presented. David Richardson

*Jerrell Saunders was erroneously omitted from the Members Absent list on the final minutes as adopted by the VCBA Board on June 6, 2024. The adopted minutes have been revised to reflect his absence.

made the motion to approve the minutes as amended; Michael Maul seconded the motion, and the motion was unanimously approved by all members present.

Consideration of Issuance of Virginia College Building Authority Educational Facilities Revenue and Refunding Bonds (21st Century College and Equipment Programs), Series 2024AB

Leslie English 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 \$616,325,000 of VCBA Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2024A and \$116,155,000 of VCBA Educational Facilities Revenue Refunding Bonds (21st Century College and Equipment Programs) Series 2024B. The proceeds of the 2024A 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 2024B Bonds are being used to (i) refund certain outstanding bonds or portions thereof of the Authority, and (ii) pay the cost of issuing the bonds. Issuance of the 2024B Bonds is subject to market conditions and the refunding will continue to be monitored.

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-fifth and fifty-sixth series of bonds issued under the Program's Master Indenture of Trust. The bonds are scheduled to be priced on a competitive basis on April 16, 2024, with a delivery date of May 7, 2024. Ms. English then reviewed the bond structure. The Series 2024A Bonds will likely be serial bonds maturing annually in the years 2025 through 2044. The Series 2024B Bonds will likely 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, 2024. Principal will be paid annually on February 1, beginning February 1, 2025, for the 2024A Bonds and February 1, 2027, for the 2024B Bonds. She stated the estimated True Interest Cost (TIC) for the aggregate of the two series as of February 26, 2024, is 3.4324%. The Series 2024A new money bonds TIC is estimated at 3.5379% and the Series 2024B bonds TIC is estimated at 2.7123%. The maximum All-in TIC incorporated in the VCBA Resolution is 4.50% for bonds issued on a tax-exempt basis for the Series 2024A Bonds and 3.25% for the Series 2024B Bonds. The anticipated ratings are Aa1 from Moody's Investors Services and AA+ from Standard & Poor's and Fitch Ratings, Inc. Presently, the total savings on the bonds is estimated at \$3.6 million with present value savings of \$2.4 million or 1.67% of present value savings to the refunded par. As of March 6, 2024, the 2024A Bonds estimated TIC decreased by three (3) basis points to 3.50% and the Series 2024B bonds estimated TIC decreased to 2.67%, with the aggregate combined TIC now estimated at 3.40%. The total savings increased by \$20,000 and is now at \$3,654,704 and the present value savings are \$2,404,108. The Resolution presented before the Board allows for a maximum TIC of 4.50% for the Series 2024A bonds and a maximum TIC of 3.25% for the Series 2024B bonds. The minimum present value savings threshold incorporated in the Resolution is 1.50%. 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. Ms. English also mentioned to the Board that the Costs of Issuance are estimated at \$451,700 and the costs include the new money and the refunding components.

Mr. Jones explained to the Board that the 1.50% present value savings threshold in the Resolution is a lower savings threshold than the Commonwealth typically recommends. Mr. Jones stated that

3.00% has typically been the target goal of the Treasury Board and historically, resolutions incorporated the minimum savings threshold of 3.00%. The bonds that are being refunded are the Authority's Series 2020B Taxable Bonds which were issued to advance refund previously issued tax-exempt bonds. Tax law allows the 2020B Taxable Bonds to be advanced refunded with tax-exempt bonds since the escrow has expired. He noted the mechanics of the bonds and the transaction and explained that there are limited opportunities for generating savings on this prior series of bonds due to the inverted yield curve, and for those reasons it is recommended that the Authority pursue the savings currently available despite the savings being less than 3.00%.

Discussion ensued.

Ms. English noted that some of the Series 2020B Taxable Bonds were part of the Series 2023 tender transaction last year and the remaining balance of the Series 2020B Taxable Bonds (non-tendered portion of bonds) are being considered for refunding.

Mr. Robinson asked for clarification on the bond proceeds to be held in escrow. He asked will the proceeds be invested in SLGS or will open market securities be purchased. Mr. Jones asked PRAG to provide a response to the question.

Ms. Lee explained with regards to the arbitrage yield, by combining the refunding with the new money transaction, that has a 20-year final maturity, the blended arbitrage yield will be higher than a refunding on a standalone basis, which would have a final maturity of 10-years (final maturity of 2034), which allows the escrow to earn at the higher arbitrage yield. Since the bond maturities are amortized to 2034, given the inverted yield curve, the bonds are able to capture extra savings and reduce the cost of the escrow. Ms. Lee confirmed that they are using SLGS for the escrow.

Treasurer Richardson stated by combining the refunding with the new money transaction, the bonds are considered a single issue for tax purposes. With the yield curve being inverted, earnings will accrue in the escrow account and we can use the arbitrage yield of the 20 year bonds and not just the arbitrage yield of the refunding bonds. As the yield curve normalizes, this refunding opportunity will go away.

Discussion ensued.

Treasurer Richardson asked Ms. English how the sizing for 2024A new money bonds was determined. Ms. English stated the sizing is determined based on every authorized project that is ready to move forward with funding and the sizing is not determined by every project that has been authorized. The Authority reviews twelve months of project draw schedules to determine the sizing. Ms. English stated that prior to this bond issue, the 21st Century has an estimated remaining authorized but unissued amount of \$1 billion. After the closing of this bond series, there will be an estimated remaining authorized but unissued amount of \$410 million. The Authority will move forward with financing the remaining balance of the authorization with the 2025 bond issuance. Ms. English stated that the 2023 proceeds remaining is estimated at \$100 million and by having an earlier issuance timeframe for the 2024AB bond closing, this timing would hopefully prevent the need for the Authority to obtain a Treasury Loan.

Discussion ensued.

Mr. Maul shared with the Board that state supported capital projects are not charged fees or interest on Treasury Loans and that the loans can be extended through the biennium. Mr. Rhodemyre asked Mr. Maul if Treasury Loan interest is charged for non-state supported projects. Mr. Maul

confirmed that interest is charged on Treasury Loans for any 9(d) debt auxiliary projects. Discussion ensued.

Ms. McIntyre asked if bidding on open market securities was a consideration versus purchasing SLGS. Treasurer Richardson and Mr. Scruggs stated that if the SLGS window is open, SLGS would be the preferred method to fund the escrow.

Discussion ensued.

Mr. Jones mentioned the VCBA Pooled Bonds, Series 2015 are currently undergoing an examination by the IRS. The issue was randomly selected by the IRS. Mr. Jones, Treasurer Richardson and Mr. Scruggs stated that during the year 2015, the SLGS window was closed and bids on open market securities took place. This caused the IRS to perform random examinations on a number of bonds issues from that year.

Discussion ensued.

Mr. Robinson asked if the Authority considered using two versus three rating agencies.

Discussion ensued.

Mr. Scruggs reviewed the Resolution before the Board. Mr. Scruggs reviewed the issuance parameters of Section 3 in the Resolution.

Chairman Ometer asked for the date of the next Treasury Board meeting. Ms. English stated the meeting is scheduled for March 20, 2024.

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

Other Business

Update - Educational Facilities Revenue and Refunding Bonds (University of Richmond), Series 2024

Mr. Rhodemyre provided updates to the University of Richmond bond issue that was approved by the Board at its January 18, 2024 meeting. The bonds were sold on February 22, 2023 through a negotiated sale and successfully closed on March 7, 2024. The total par amount of the issue was \$100,545,000 consisting of a new money portion in the amount of \$48.6 million and a refunding portion of approximately \$52 million. The all-in true interest cost was 3.96% with a present value savings on the refunding portion of 3.50% refunded par.

Mr. Maul asked what the estimated true interest cost was when the Board approved the resolution at the January 18, 2024 meeting. Ms. McIntyre stated the estimated true interest cost was noted as 3.96% in the January 18, 2024 meeting minutes.

Chairman Ometer commented that the University's Executive Vice President and CFO, David Hale reached out and was very grateful for the Board's efforts.

Chairman Ometer thanked the Board for taking time to meet outside of its normal meeting schedule to serve the needs of the University.

Adjournment

Having no other business to be brought before the Board, the meeting adjourned at 2:35 p.m.

Respectfully submitted,

Leslie English
Assistant Secretary

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