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VIRGINIA COLLEGE BUILDING AUTHORITY BOARD OF COMMISSIONERS MEETING

April 2, 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
John G. Dane, Vice-Chairman
Corynne Arnett
Stephanie Calliott
Charles Mann
Peter A. Blake
Daniel S. Timberlake
David A. Von Moll

Members Absent: Manju S. Ganeriwala

Others Present:	Donald R. Ferguson, Esq.	Attorney General's Office
	George Scruggs, Jr., Esq.	Kutak Rock LLP
	Janet A. Aylor	Department of the Treasury
	Leslie M. English	Department of the Treasury
	Debora Greene	Department of the Treasury
	James D. Mahone	Department of the Treasury
	Jean Huskey	SCHEV
	Steven J. Kantor	Hilltop Securities, Inc.
	Kayla J. MacEwen	Hilltop Securities, Inc.
	Charlotte Knight-Marshall	TKG & Associates LLC

Call to Order

Mr. Ramsey called the meeting to order at 10:37 a.m. After welcoming visitors, he introduced Ms. Corynne Arnett the newest member to the board. Ms. Arnett addressed the board and provided a brief overview of her background. Mr. Blake introduced his staff member Dr. Jean Huskey. 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 asked if there were any comments or questions about the minutes of the October 12, 2018 Virginia College Building Authority meeting. Hearing none, he requested a motion for approval of the minutes. Mr. Blake made the motion; Mr. Mann seconded the motion, and the motion was unanimously adopted by all members present and voting.

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Municipal Market Update

Mr. Ramsey informed the board that representatives from Hilltop Securities, Inc. will provide a market update. Mr. Ramsey asked Ms. Aylor to introduce the team from Hilltop Securities, Inc.

Ms. Aylor informed the board that the VCBA issued a RFP last year for new financial advisors and Hilltop Securities, Inc. was selected as financial advisors for the 21st Century College and Equipment Programs. Ms. Aylor proceeded to introduce Mr. Steve Kantor and Ms. Kayla MacEwen with Hilltop Securities, Inc. Ms. Aylor informed the board that Hilltop Securities, Inc. has served the Commonwealth in various roles including the VCBA and Treasury Board.

Mr. Steve Kantor greeted the board and introduced Ms. Charlotte Knight-Marshall with TKG & Associates, LLC their co-financial advisor, minority firm contracted to work with Hilltop Securities, Inc.

Ms. MacEwen briefed the board on the preliminary structure of the upcoming VCBA 21st Century College and Equipment Programs, Series 2019A bond issue. She reviewed the current interest rates and discussed historical VCBA spreads and comparable transactions.

Mr. Kantor briefed the board on the primary and secondary markets. He reviewed bond rates since 2009 and discussed taxable, and tax exempt MMD vs US Treasury rates.

Ms. MacEwen concluded the briefing by recapping information relating to the Authority's ratings. She also informed the board that they were able to negotiate a lower rating agency fee for Moody's Investors Service and Fitch Ratings.

Ms. Arnett asked if we can expect a premium overall, or a discount on the bond issue. Ms. MacEwen responded that overall they expect a premium mainly because of the rates on the back end of the deal.

Ms. Arnett stated that she noticed in the Resolution the potential for taxable bonds vs tax-exempt bonds and asked if this was a standard provision. Mr. Scruggs informed her that this is a standard provision in the resolution. He explained from time to time, the Authority will issue a taxable series of bonds for projects that have more than a permissible amount of private business use. For those projects, the VCBA issues taxable bonds because the bonds are not constrained by federal tax law requirements. Mr. Scruggs stated that with respect to this particular bond issue, the Authority does not anticipate any projects that would be candidates for taxable financing, therefore, this bond issue would be a tax-exempt financing. Ms. Aylor stated that bond counsel schedules due diligence calls with all of the participants to discuss the projects to ensure that there are no issues that would require the Authority to issue taxable bonds.

Discussion ensued.

Ms. Arnett asked if the bond proceeds are used immediately to pay project expenditures or if bond proceeds are invested. Ms. Aylor stated that these funds are spent quickly. Ms. Aylor stated that the Authority ran out of money and is currently operating on a \$125 million treasury loan. She informed the Board that the Authority has drawn down approximately \$50 million of the treasury loan which will be paid at closing. She explained the projects have been authorized by the General Assembly and the bond proceeds are invested in the Local Government Investment Pool (LGIP) that is managed by the Department of Treasury's Cash Management Division. She also explained that the LGIP is a money market fund that is liquid and funds can be drawn on the same day. Ms. Aylor also provided information on the State Non Arbitrage Program (SNAP), which is utilized for the VCBA Pooled Bond Program and run by the Commonwealth, where bond proceeds are

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invested by localities, and state entities in which SNAP monitors for arbitrage rebate.

Mr. Ramsey asked if the state has ever received an AAA rating for revenue bond issues. Ms. Aylor responded no and the reason is that it is not a general obligation. Mr. Ramsey stated that Chesterfield County received AAA rating on their revenue bonds and utility bonds and asked if we have made an effort to improve the ratings. Mr. Kantor responded that we are always in discussions with the rating agencies and will bring that issue up with them; he further explained that it is not a Commonwealth issue but more of a rating agency criteria.

Discussion ensued.

Consideration of the Issuance of Virginia College Building Authority Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2019A

Ms. English reviewed the Preliminary Financing Summary for the proposed issuance of \$525,715,000 of Virginia College Building Authority Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2019A composed of \$450.4 million for certain capital projects and \$75.4 million to acquire equipment. Ms. English informed the board the bonds will be secured by funds appropriated by the General Assembly. The bond structure for the equipment projects are serial bonds maturing annually and amortized up to seven years, beginning in the years 2020 through 2026. The capital projects are serial bonds maturing annually and amortized up to twenty years, beginning in the years 2020 through 2039. The bonds will be subject to redemption prior to maturity on February 1, 2029. She stated the Series 2019A bonds are scheduled to price competitively on May 15 and an expected to close on June 5. Ms. English indicated that the estimated True Interest Cost (TIC) reflected in the Preliminary Financing Summary is higher than anticipated, and as of the presentation, the TIC is 2.92%. Ms. English completed her review of the Preliminary Financing Summary and asked if there were any questions.

Ms. English reviewed the Preliminary Official Statement and Supplemental Indenture of Trust.

Mr. Scruggs from Kutak Rock LLP, bond counsel to the Authority, then reviewed the Resolution. Following this review, Ms. Arnett asked a question related to the first Whereas clause on page 2 of the resolution. She asked if bond funds could be reallocated to projects that have not been financed in this bond issue. Mr. Scruggs responded from time to time if it is determined that a project does not need funding as provided, as long as a project has been authorized by the General Assembly, the State Treasurer is given the authorization to reallocate money to the projects approved for funding by the General Assembly but for reasons may not be in this bond issue.

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 issuance of the bonds.

Mr. Timberlake moved approval of the motion of the Virginia College Building Authority authorizing the issuance of and sale of its Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2019. Mr. Mann seconded, and the motion was unanimously adopted by all members present and voting.

Other Business and Adjournment

Ms. Greene reviewed the Final Financing Summary for the issuance of \$211,200,000 Virginia College Building Authority Educational Facilities Revenue Bonds (Public Higher Education

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Financing Programs), Series 2018AB. She informed the Board that the bonds priced on November 6, 2018 and closed on December 4, 2018. She reviewed the ratings and summary of bids. The True Interest Cost for the Series 2018A is 3.5048% and 4.4233% for the Series 2018B. Ms. Aylor informed the Board that the Series 2018A bonds were tax-exempt bonds and 2018B bonds were taxable bonds. She also provided the names of the institutions and projects included in the taxable bonds and the reason they were issued as taxable bonds.

Ms. Calliott pointed out the True Interest Cost for the Series 2019A bond issue is 57 basis points lower than the Series 2018 pooled bonds and asked what was the reason for the decrease in the rate. Ms. MacEwen stated that the rates were higher in the fall.

Mr. Ramsey then asked if there were any additional comments or questions from Board members. Hearing none. He informed the board to anticipate a meeting in the fall. Staff will contact the board in August to poll for a late September or October board meeting.

Mr. Blake asked if anything happened in this legislative session that this board should know about. Ms. Aylor responded no but there were a few additional projects authorized but nothing significant. She stated the Governor proposed in his original budget, \$500 million in tax-supported debt and the General Assembly proposed \$700 million in tax-supported debt. She stated that K-12 school safety was the big topic for the session.

Ms. Aylor informed the board that Mr. Watt would be contacting the board members concerning Conflict of Interest training that's required every two years and wanted to provide them the handout that includes the link to the state training module for Conflict of Interest.

Mr. Mann asked if this was something they had already completed on line. Ms. Calliott and Ms. Aylor responded to Mr. Mann and explained the Statement of Economic Interest is required annually. The Conflict of Interest training is required every two years.

Discussion ensued.

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. Blake seconded the motion, and the motion was unanimously adopted.

Having no other business to be brought before the Board, the meeting was adjourned at 11.07 a.m.

Adjournment

Respectfully submitted,

Leslie M. English
Assistant Secretary

/s/ Leslie M. English

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