



Virginia Public School Authority

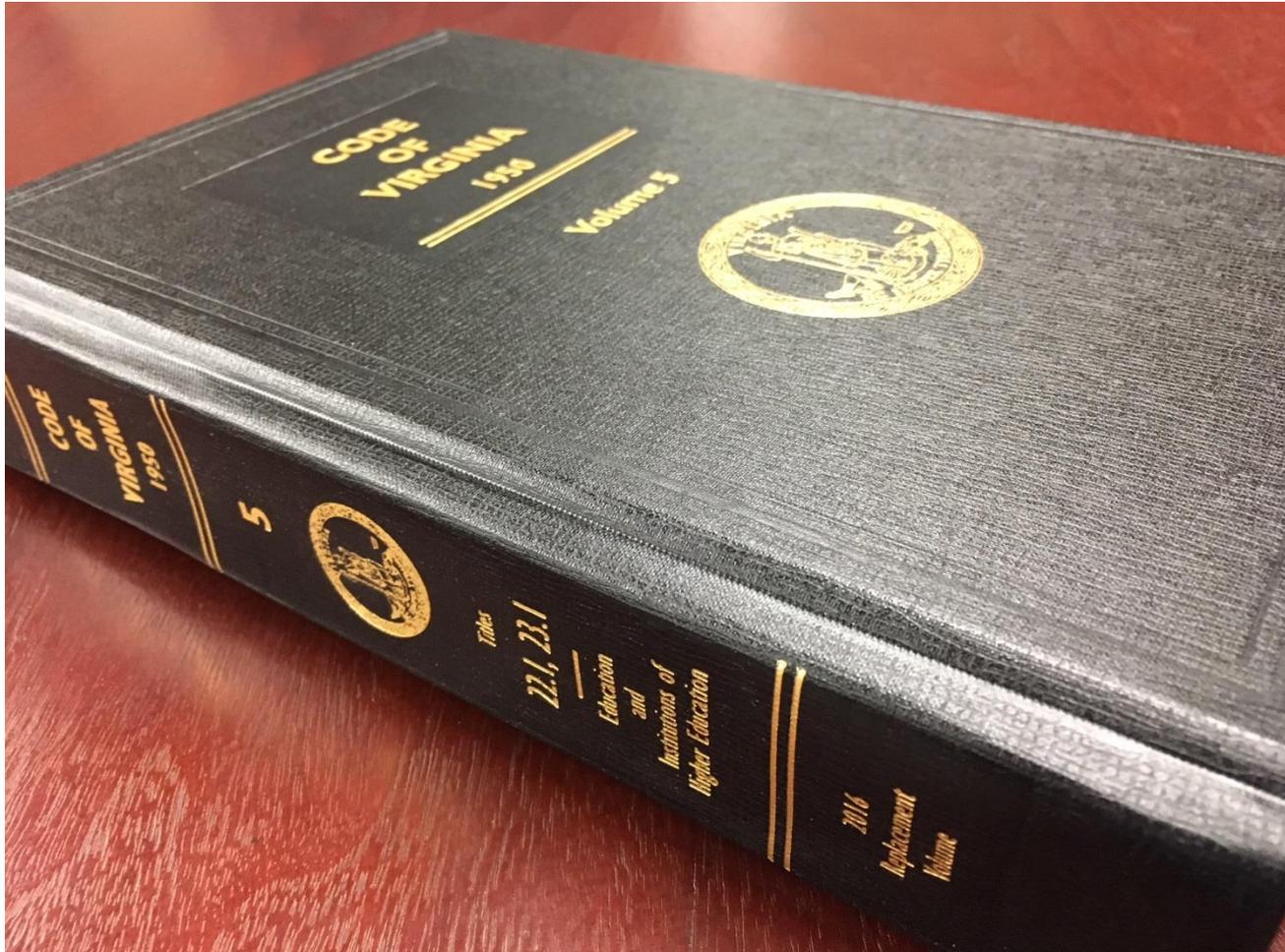
Providing Financing for Virginia's Schools for over 50 Years

Governor's Infrastructure Financing Conference

VPSA – April 4, 2019, 11:10 AM

James D. Mahone, VPSA Program Manager

Virginia Public School Authority – Who We Are



Virginia Public School Authority – Who We Are

Board of Commissioners

Ex-Officio

State Treasurer

State Comptroller

Superintendent of
Public Instruction

Citizen

Citizen
appointed
by Governor



Virginia Public School Authority – Who We Are

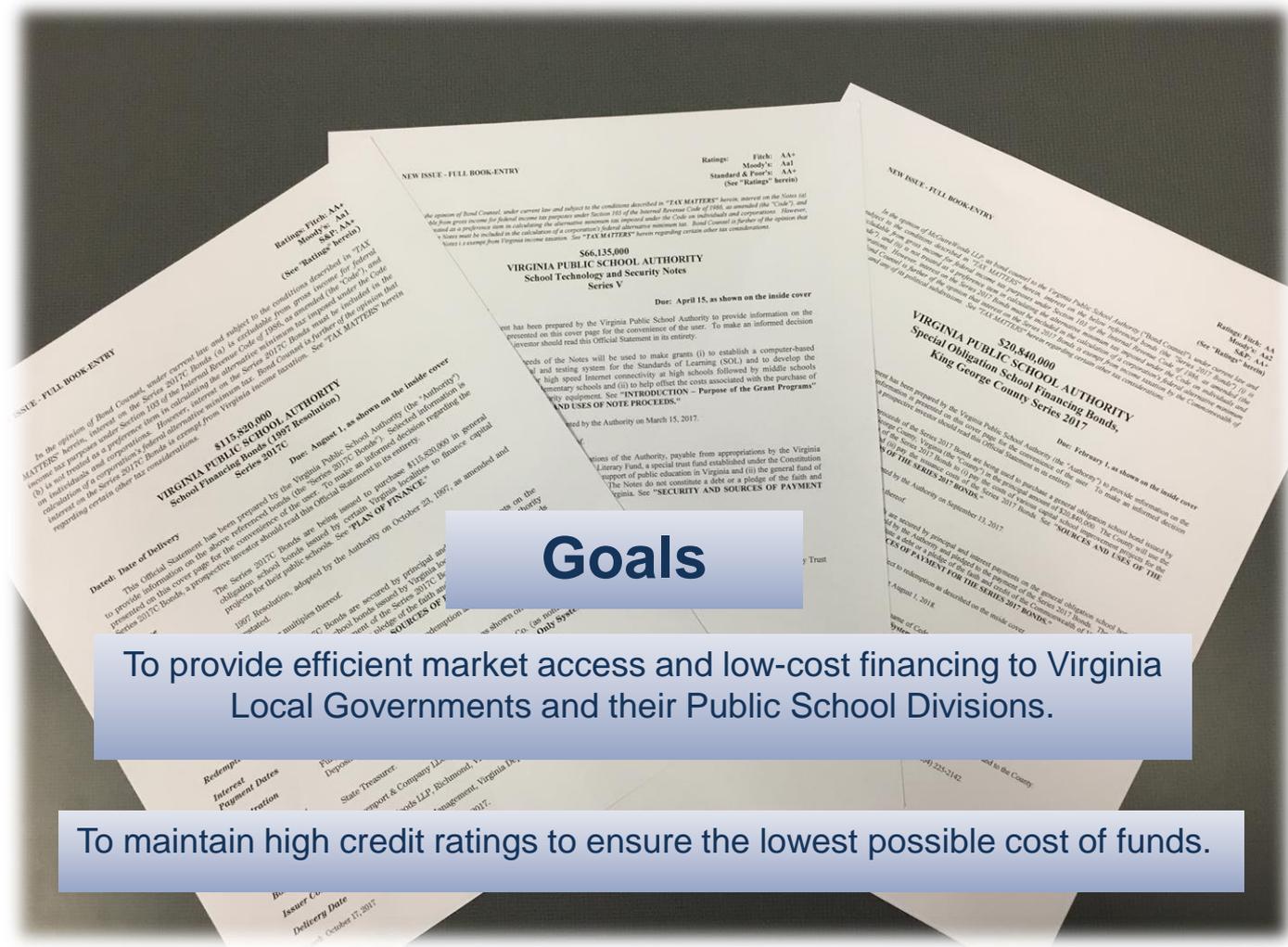


Department of the Treasury
COMMONWEALTH OF VIRGINIA



Department of the Treasury
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Virginia Public School Authority – Who We Are



Goals

To provide efficient market access and low-cost financing to Virginia Local Governments and their Public School Divisions.

To maintain high credit ratings to ensure the lowest possible cost of funds.



School Capital Financing Options in Virginia

- ❑ Local school divisions have the responsibility for controlling, erecting, furnishing, equipping and maintaining necessary school buildings.
- ❑ School divisions in Virginia do not have taxing power or the ability to issue debt.
- ❑ Financing approaches available for school capital projects:
 - ❑ Cash
 - ❑ Bank Loans
 - ❑ Bonds
 - ❑ General Obligation Bonds
 - ❑ Subject to Appropriation Bonds
 - ❑ Virginia Public School Authority
 - ❑ Literary Fund *****
- ❑ Cost, funding availability and timing considerations will influence the approach taken.

School Capital Financing Options in Virginia

General Obligation Bonds

Secured by Full Faith and Credit of the Issuer.

Referendum required if Issuer is a County. *

* No referendum required if County issues GO to VPSA.

No Referendum required for a City to issue GO debt. **

** Cities have other requirements regarding issuance of GO debt.

* ** Both Cities and Counties are subject to their own internal debt policies.



School Capital Financing Options in Virginia

Subject to Appropriation Bonds

Secured by Annual Appropriations instead of a pledge of taxing power. No Referendum required for Counties, Cities or Towns.

Typically issued through a conduit issuer such as an Economic Development Authority (EDA) or Industrial Development Authority (IDA).

The EDA borrows the funds (through the issuance of the bonds) to construct the school and leases the school to the Locality, whose lease payments pay the debt service on the Bonds.

The bond rating is usually lower and the interest rate can be higher because the lease payments are subject to appropriation.

The potentially higher interest rates, along with additional fees such as for the EDA and a bond trustee, can result in a higher cost of financing.



School Capital Financing Options in Virginia

Virginia Public School Authority Pooled Bond Program

A bond bank established in 1962 which provides low-cost financing of capital projects for primary and secondary public schools in Virginia.

VPSA purchases GO Bonds from Localities with the proceeds VPSA receives from the sale of its own Bonds.

59 Series of bonds issued under current Bond Resolution (adopted in 1997).

Key Statistics

Credit Ratings:	Aa1/AA+/AA+
Bonds Outstanding:	\$2.1 Billion
# of Borrowers:	105 (101 current)
Typical Issuance Cycle:	Spring and Fall



VPSA's Pooled Bond Program

Bonds issued for schools and only schools -- public, K12.

Projects include all types of real and personal property for public schools – including land, buildings and equipment.

Bonds typically issued twice each year, Spring and Fall.

Issued using a Bond Bank Structure.



VPASA's Pooled Bond Program – Bond Bank

To borrow through VPASA, a locality sells its General Obligation Bond to VPASA.

Example: 5 Localities want to borrow \$10MM each for school capital projects through VPASA. Each sells its own \$10MM GO Bond to VPASA.

VPASA pools together the five bonds and sells its own \$50MM VPASA bond on the competitive market to an underwriter on behalf of investors.

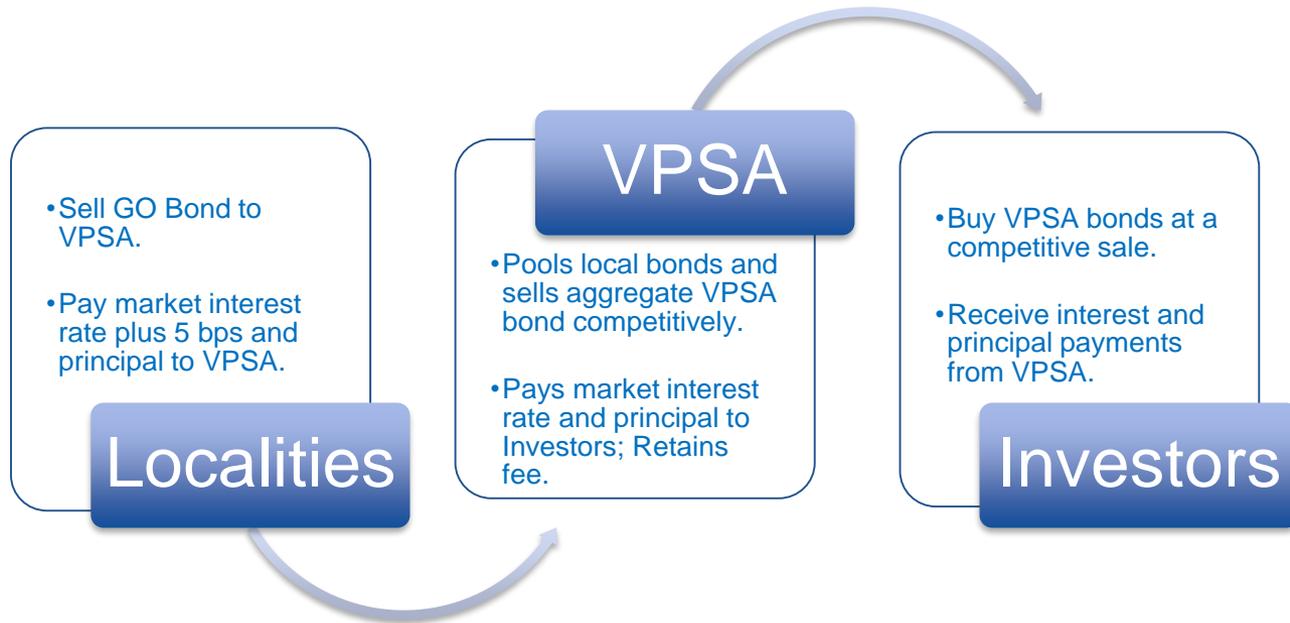
The underwriters (and ultimately the investors) own VPASA's \$50MM bond, VPASA owns each locality's \$10MM bond, and VPASA has \$50MM from the underwriter/investors – which is passed along to the five localities.

The Locality pays no up-front fee. The Locality's interest rate on its GO Bond sold to VPASA is 5 basis points higher than VPASA's interest rate on its bonds.



VPSA's Pooled Bond Program

Bond Bank Structure



Sample VPSA/Local Loan

Maturity	VPSA				Locality			
	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total
2019	\$ 500,000.00	3.00%	\$ 300,000.00	\$ 800,000.00	\$ 500,000.00	3.05%	\$ 305,000.00	\$ 805,000.00
2020	\$ 500,000.00	3.00%	\$ 285,000.00	\$ 785,000.00	\$ 500,000.00	3.05%	\$ 289,750.00	\$ 789,750.00
2021	\$ 500,000.00	3.00%	\$ 270,000.00	\$ 770,000.00	\$ 500,000.00	3.05%	\$ 274,500.00	\$ 774,500.00
2022	\$ 500,000.00	3.00%	\$ 255,000.00	\$ 755,000.00	\$ 500,000.00	3.05%	\$ 259,250.00	\$ 759,250.00
2023	\$ 500,000.00	3.00%	\$ 240,000.00	\$ 740,000.00	\$ 500,000.00	3.05%	\$ 244,000.00	\$ 744,000.00
2024	\$ 500,000.00	3.00%	\$ 225,000.00	\$ 725,000.00	\$ 500,000.00	3.05%	\$ 228,750.00	\$ 728,750.00
2025	\$ 500,000.00	3.00%	\$ 210,000.00	\$ 710,000.00	\$ 500,000.00	3.05%	\$ 213,500.00	\$ 713,500.00
2026	\$ 500,000.00	3.00%	\$ 195,000.00	\$ 695,000.00	\$ 500,000.00	3.05%	\$ 198,250.00	\$ 698,250.00
2027	\$ 500,000.00	3.00%	\$ 180,000.00	\$ 680,000.00	\$ 500,000.00	3.05%	\$ 183,000.00	\$ 683,000.00
2028	\$ 500,000.00	3.00%	\$ 165,000.00	\$ 665,000.00	\$ 500,000.00	3.05%	\$ 167,750.00	\$ 667,750.00
2029	\$ 500,000.00	3.00%	\$ 150,000.00	\$ 650,000.00	\$ 500,000.00	3.05%	\$ 152,500.00	\$ 652,500.00
2030	\$ 500,000.00	3.00%	\$ 135,000.00	\$ 635,000.00	\$ 500,000.00	3.05%	\$ 137,250.00	\$ 637,250.00
2031	\$ 500,000.00	3.00%	\$ 120,000.00	\$ 620,000.00	\$ 500,000.00	3.05%	\$ 122,000.00	\$ 622,000.00
2032	\$ 500,000.00	3.00%	\$ 105,000.00	\$ 605,000.00	\$ 500,000.00	3.05%	\$ 106,750.00	\$ 606,750.00
2033	\$ 500,000.00	3.00%	\$ 90,000.00	\$ 590,000.00	\$ 500,000.00	3.05%	\$ 91,500.00	\$ 591,500.00
2034	\$ 500,000.00	3.00%	\$ 75,000.00	\$ 575,000.00	\$ 500,000.00	3.05%	\$ 76,250.00	\$ 576,250.00
2035	\$ 500,000.00	3.00%	\$ 60,000.00	\$ 560,000.00	\$ 500,000.00	3.05%	\$ 61,000.00	\$ 561,000.00
2036	\$ 500,000.00	3.00%	\$ 45,000.00	\$ 545,000.00	\$ 500,000.00	3.05%	\$ 45,750.00	\$ 545,750.00
2037	\$ 500,000.00	3.00%	\$ 30,000.00	\$ 530,000.00	\$ 500,000.00	3.05%	\$ 30,500.00	\$ 530,500.00
2038	\$ 500,000.00	3.00%	\$ 15,000.00	\$ 515,000.00	\$ 500,000.00	3.05%	\$ 15,250.00	\$ 515,250.00
Total	\$ 10,000,000.00		\$ 3,150,000.00	\$ 13,150,000.00	\$ 10,000,000.00		\$ 3,202,500.00	\$ 13,202,500.00

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VPASA's Pooled Bond Program

Program Benefits for Localities/Schools

Local general obligation pledge; Referendum NOT required (County).

No out-of-pocket Costs of Issuance paid by Localities, except local bond counsel Opinion. No rating agency fees. No EDA fees.

Low interest rates supported by AA+, Aa1, AA+ ratings.

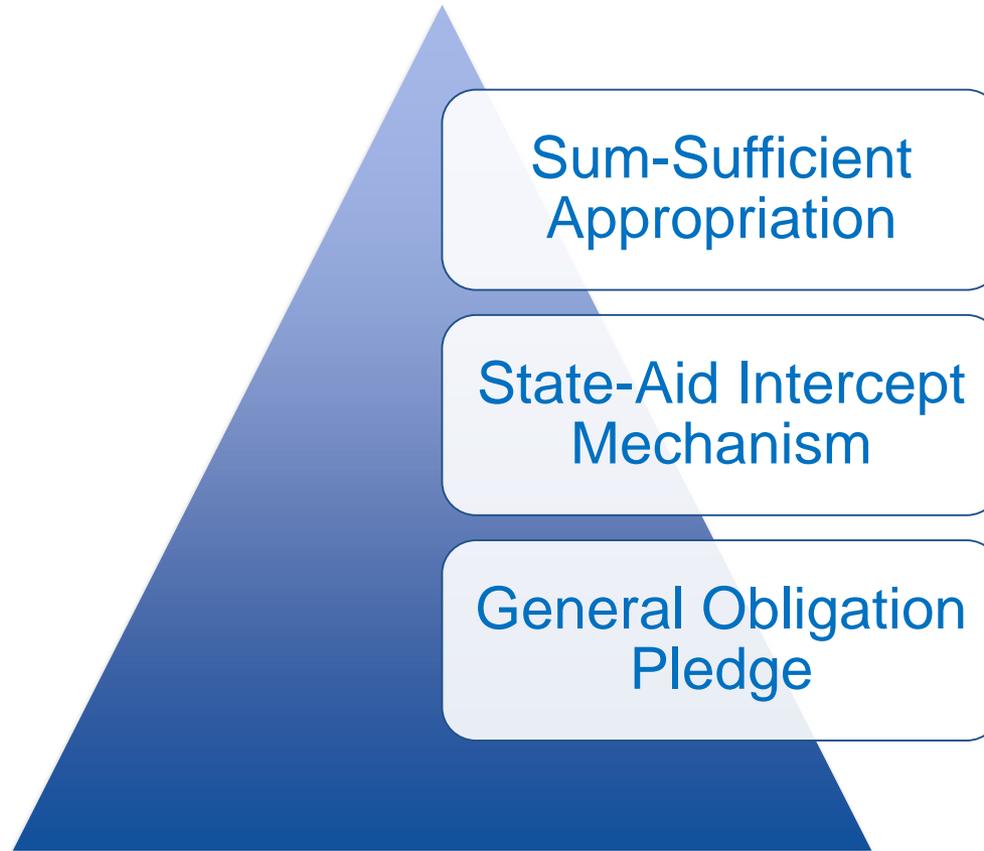
Financing terms can range from <10 to 30 years.

Amortization is typically level debt service or level principal.



VPSA's Pooled Bond Program

Security Features for Bondholders – 3 Layers



Current Program Credit Ratings
Moody's: Aa1 S&P: AA+ Fitch: AA+



Key Responsibilities of the Borrower BEFORE Bond Sale

- Retain local Bond Counsel
- Pass a Reimbursement Resolution
- Obtain School Board approval of application to VPSA
- Submit application for participating in Spring/Fall Pooled Sale
 - Project Information
- Review and verify preliminary numbers
- Obtain Board of Supervisors approval of bond resolution
- Bond Sale Agreement returned to Authority with **tax questionnaire**
- Resolutions/ordinances filed with Circuit Court
- Draft closing documents submitted to VPSA/bond counsel
- Account registration forms to SNAP for bond proceeds
- Pre-Closing/Closing



Key Responsibilities of the Borrower AFTER Bond Sale

- ❑ Pay Debt Service on your Local GO Bond to VPSA.
- ❑ Comply with Proceeds Requirement.
 - ❑ Your proceeds will be deposited in a SNAP account.
 - ❑ Localities' obligations set out in Use of Proceeds Agreement
- ❑ Arbitrage Rebate/Spend-down requirements
- ❑ Private Use of Tax-exempt Financed Facility!!!
- ❑ Change in Use of Tax-exempt Financed Facility!!!
- ❑ Practice Continuing Disclosure!!
 - ❑ Are you a MOP? - www.emma.msrb.org



Refunding Opportunities

- ❑ Savings opportunities for the pool are rigorously monitored
- ❑ Refunding issues are regularly undertaken by the Authority
- ❑ Savings are passed through to local participants through a debt service credit
- ❑ Advance Refundings ended by Tax Cuts and Jobs Act of 2017. Current Refundings will be undertaken when favorable.

Issue	Par Amount	Series Refunded	Savings Distributed	Localities Involved
October 2009	\$481.3mm	7	\$28.7mm	29
September 2010	\$85.5mm	2	\$3.4mm	15
February 2012	\$282.2mm	6	\$21.9mm	25
May 2014	\$227.3mm	3	\$19.9mm	20
February 2015	\$446.6mm	7	\$55.4mm	24
August 2017	\$106.1mm	4	\$7.7mm	16
Total	\$1,629mm		\$137mm	



VPSA's Pooled Bond Program

- Questions/Comments?
 - Things to think about
 - What would you like to see?
 - General Assembly
 - Literary Fund
 - Subsidy Loans



VPSA Financing Team

Virginia Public School Authority - Virginia Department of the Treasury

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