

Virginia Port Authority Board of Commissioners
Joint Meeting of the Finance/Planning Committee and Facilities Committee
July 24, 2012

Open Session Minutes

Finance/Planning Committee Members Present:

Scott R. Bergeron, Chair
Juliann J. Clemente, Vice Chair
Manju S. Ganeriwala
John N. Pullen

Finance/Planning Committee Member Absent:

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Facilities Committee Members Present:

William H. Fralin, Jr., Chair
John N. Pullen, Vice Chair
Jennifer D. Aument
Frank E. Laughon, Jr.
Robert M. Stanton

Commissioners Present:

Michael J. Quillen, VPA Board Chairman
James M. Boyd, VPA Vice Chairman
Manju Ganeriwala, State Treasurer/Commissioner

Staff:

Jerry A. Bridges, Executive Director
J. J. (Jeff) Keever, Senior Deputy Executive Director, External Affairs
Rodney Oliver, Deputy Executive Director and CFO
Jeffrey Florin, Deputy Executive Director, Operations and COO
Russell Held, Deputy Executive Director, Development
Wendy King, Director of Finance
Carla Welsh, Manager, Creative Services
Debra J. McNulty, Clerk to the Board

Guests:

Norman Thomas, Assistant Attorney General-Transportation Sector
William Harrison, Williams Mullen
JoAnne Carter, Public Financial Management Group
Kevin Rotty, Public Financial Management Group
Joseph A. Dorto, President and CEO, VIT
Thomas Capozzi, Vice President, Global Sales and Customer Service, VIT
Regina P. Brayboy, Vice President, Administration and Financial Services, VIT
Robert Nestor, Manager, Pricing and Strategic Planning, VIT
Christopher Bolen, Intern/Treasury Department

Pursuant to call by Mr. Bergeron and Mr. Fralin, the Joint Meeting of the Finance/Planning Committee and Facilities Committee convened an open session on this date at 8:30 a.m., in the Virginia Port Authority Boardroom, 600 World Trade Center, Norfolk, Virginia.

The following item was presented:

1. Consideration of Resolution 12-5, supplementing and amending Resolution 02-4 of the VPA and authorizing the issuance of up to \$47,000,000 of the Authority's Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B (taxable); and Resolution 12-6, supplementing Resolution 02-4 of the VPA and authorizing the issuance of up to \$7,000,000 of the Authority's Commonwealth Port Fund Revenue Refunding Bonds, Series 2012C

Mr. Oliver reported that the VPA had been monitoring declining interest rates over the last three weeks and determined that the Authority has another refunding opportunity, this time for the outstanding Commonwealth Port Fund Bonds Series 2012B and 2012C. Mr. Oliver announced that his office has been working with VPA's bond counsel and financial advisors to have all of the information prepared in time for today's meeting.

Ms. JoAnne Carter announced that this is the second opportunity this year for the Port Authority to save money on another refinancing. She presented a "Municipal Market Update" and began with a chart of the 10-year U.S. Treasury Bond yield (taxable) that reflected 1.49% on July 20. It was reminded by Ms. Carter that, in January, the VPA took advantage of the market and successfully sold refinancing bonds for VPA with over \$13 million net present value savings, which is a 12% margin of savings compared to a state benchmark of 3% or better. Ms. Carter reviewed tax-exempt borrowing rates which, she said, are experiencing similar lows averaging 4.36% over the last 10 years and most recently hit 3.34%. She mentioned that turmoil in overseas' markets is driving the Treasury bond savings.

Ms. Carter presented taxable vs. tax-exempt yield curves, weekly municipal bond volume, and an overview of the CPF Bonds, which are secured by 4.2% allocation from Transportation Trust Fund (TTF) and, if needed, appropriations from the TTF and a sum sufficient appropriation from the General Fund.

Ms. Carter reviewed each of the CPF Refunding Bond Series - 2012B and 2012C and presented the following:

	Series 2012B	Series 2012C
Par*	\$45,680,000	\$4,720,000
Purpose	Refinance outstanding CPF Revenue Bonds, Series 2005A (AMT) (2016-2029)	Refinance outstanding CPF Revenue Bonds, Series 2005B (Non-AMT) (2029-2030)
Tax Status	Taxable	Tax-Exempt (Non-AMT)
Call Date	7/1/2015	7/1/2015
Final Maturity	7/1/2029	7/1/2030
NPV Savings*	\$3.0 million	\$303k
NPV Savings as a % of Refunded Par*	7.60%	6.17%
True Interest Cost*	2.72%	3.52%

Ms. Carter announced the financing team and preliminary schedule:

Senior Managing Underwriter:	Raymond James/Morgan Keegan
Co-Senior Managing Underwriter:	Siebert Brandford Shank & Co.
Co-Managing Underwriters:	Bank of America Merrill Lynch Morgan Stanley
Underwriter’s Counsel:	Kaufman & Canoles LLP
Bond Counsel:	Williams Mullen PC
Financial Advisor:	Public Financial Management, Inc.

Preliminary Schedule:

Treasury Board Approval:	Wednesday, August 15, 2012
Ratings Expected:	Friday, August 31
Preliminary Official Statement (POS)	
Distributed:	Tuesday, September 4
Negotiated Pricing:	Tuesday, September 11
Settlement:	Wednesday, September 26

Ms. Carter explained that, after Treasury Board approval, an accelerated sale may take place, depending on the market. In answer to Mr. Bergeron and Mr. Fralin’s concerns, Ms. Carter and Mr. Oliver explained how the refinancing would not impact a Public-Private partnership (a “P3” transaction).

Mr. Fralin also questioned the tax-exempt status of existing bonds outstanding in the event there is another operator in place at the terminals and considering that the Commonwealth owns the facilities. Ms. Carter explained that there are a number of IRS requirements that terminal operators and any contractual agreement would need to meet and she affirmed that VPA currently meets those requirements in the current operation. She advised that a new operator and any agreement with VPA would need to be evaluated by the IRS to determine if tax-exempt bonds could continue.

Mr. Fralin advised that the tax-exempt issue needs to be discussed during the PPTA process as well as any future capital development needs. Mr. Oliver assured him that those issues are being considered.

Mr. Fralin then asked if it made a difference if VPA entered into an agreement with a terminal operator who did not own a shipping line and Ms. Carter confirmed that it did not matter. He also asked if it were possible to shorten the term on the refunding bond issue. Ms. Carter explained that it was a “matched” refunding and that they did not look at shortening the term as it would increase the annual obligation on the Commonwealth Port Fund (CPF).

Chairman Quillen questioned if the Board approved the new bond issue, would the existing non-taxable bonds convert from non-taxable bonds to taxable bonds. Ms. Carter said that was correct and she confirmed that the existing bond holders would be taken care of according to the terms of each issuance and they would receive their principal, interest, and call premium. Mr. Stanton asked if debt service would increase on a taxable issue. Ms. Carter explained that under normal bond conditions it would but that overseas conditions and low Treasury interest rates make the opposite true. She said this was an unprecedented time in the market.

Ms. Ganeriwala asked about the difference in basis points between the two structures and Ms. Carter referred to slide #4, which reflected AMT rates, pure tax-exempt rates, and taxable rates that range from 30 to 100 basis points. Ms. Carter explained that VPA would be issuing taxable on the Series 2012B bonds and issuing tax-exempt, non-AMT, on the Series 2012C.

Mr. Harrison clarified that the 2005A Bonds (2012B refunding), which have a first call date of July 1, 2015, could not be refunded tax-exempt under the current refunding limitation that the IRS imposes. He explained that, in order to issue “tax-exempt” bonds to refund the 2005A, VPA would not be able to issue until 90 days before the first call date (July 1, 2015) which is why VPA is taking advantage of a “taxable” issue at this time due to market uncertainty in 2015.

Mr. Harrison explained that some proceeds of the Series 2005B bonds were used as a contribution to the City of Norfolk for a portion of the construction of the Half Moone Cruise Terminal. He advised that Series 2005B bonds were issued as pure governmental bonds and not private-activity bonds for a dock or a wharf. Mr. Harrison explained that the “B” bonds could be advance-refunded as a tax-exempt issue and were not subject to the current refunding limitations as the “A” bonds.

Mr. Harrison continued with a review of the key components of Resolutions 12-5 (Series 2012B) to refund Series 2005A. He explained that Resolution 12-5 also corrects a defect in Resolution 02-4 (Section 2.10) which is the “base resolution” under which all CPF bonds are issued. Mr. Harrison explained the conditions outlined in Section 2.10 and the “glitch” in the language and he explained certain parameters within the resolution.

Mr. Harrison then reviewed Resolution 12-6, Series (2012C) refunding the Series 2005B issue.

Ms. Ganeriwala expressed concern that \$7 million (Resolution 12-6) maximum sizing was too large a range for the aggregate principal amount and she advised that the Treasury Board likes to see much tighter terms. Mr. Harrison deferred to Ms. Carter.

Ms. Carter explained that the tax-exempt bonds could be sold at premium or at discount and not necessarily be sold at par. In the event the market changes, and if VPA would need to issue the bonds as discount bonds, in order to still meet the savings parameter, VPA would have to issue more bonds to overcome the discount and still achieve savings.

Ms. Carter explained the rationale for that amount and agreed to work with Mr. Oliver on an adjusted parameter in time for the full Board vote.

ACTION: Upon motion made by Ms. Clemente, seconded by Mr. Pullen, the Finance/Planning Committee agreed to recommend adoption of Resolutions 12-5 and 12-6 to the full Board, subject to Ms. Ganeriwala's suggested adjustment to Resolution 12-6, with regard to a lower aggregate principal amount of the Series 2012C Bonds (from \$7 million).

At 9:10 a.m., Ms. Clemente presented a motion, seconded by Mr. Laughon, to go into closed session in accordance with the Virginia Freedom of Information Act, pursuant to §2.2-3711(A)(38) to discuss proprietary budget information gathered by or for the Virginia Port Authority, pursuant to §62.1-132.4, with regard to the VPA Master Plan.

At 9:50 a.m., upon motion by Ms. Clemente, seconded by Mr. Laughon, and having certified that the matters discussed in the preceding closed session met the requirements of §2.2-3712 of the Code, the Finance/Planning Committee and Facilities Committee reconvened in open session.

The resolution certifying the closed session was read and passed by a roll call vote of the Finance/Planning Committee and Facilities Committee members as follows:

Ayes: 8 (Aument, Bergeron, Clemente, Fralin, Ganeriwala, Laughon, Pullen, Stanton)

Nays: 0

Absent During Vote: 1 (Xu)

Absent During Meeting: 1 (Xu)

There were no public comments and the meeting adjourned at 9:52 a.m.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board