

VIRGINIA RESOURCES AUTHORITY
BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on September 13, 2011, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

BOARD MEMBERS PRESENT:

William G. O'Brien, Chair
James H. Spencer, III, Vice Chair
David Branscome
Cherry Evans on behalf of Randall P. Burdette
Manju Ganeriwala
Thomas L. Hasty, III
Dena Frith Moore
Richard Weeks on behalf of David Paylor

ABSENT:

Barbara McCarthy Donnellan
J. Wesley Kleene, Ph.D., PE on behalf of Karen Remley, M.D., M.B.A.
J. Barry Purcell, III

STAFF:

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Shawn Crumlish, Director of Debt Management
Peter D'Alema, Director of Program Management
Michael Cooper, Director of Administration
Jon McCubbin, Controller
George Panos, Deputy Controller
Stephanie Bush, Fiscal Analyst/Compliance Officer

OTHERS:

Carrie Cantrell, Deputy Secretary of Commerce and Trade
John Lawson, Chief Financial Officer, Virginia Department of Transportation
Arthur Anderson, McGuire Woods, Bond Counsel
James Traudt, Davenport & Company LLC

Mr. William G. O'Brien, Chair, called the meeting to order at 9:00 a.m.
Mr. O'Brien welcomed Mr. David Branscome to the VRA Board of Directors. Mr. Branscome was recently appointed by the Governor to fill a vacancy on the Board.

Call to Order

Mr. Branscome thanked everyone for making him feel welcomed.

Mr. O'Brien welcomed Deputy Secretary Carrie Cantrell to the meeting.

Mr. O'Brien noted that the Board had been provided a revised agenda.

**Approval of
Agenda**

There were no additions or deletions to the revised agenda.

Ms. Ganeriwala moved, and Mr. Hasty seconded, approval of the agenda.

The motion was approved unanimously.

Mr. O'Brien called for approval of the following minutes: Personnel Committee, June 13, 2011, Portfolio Risk Management Committee, June 13, 2011, Budget Committee, June 13, 2011, and Board of Directors, June 14, 2011.

**Approval of
Minutes**

There were no amendments to the minutes.

Ms. Ganeriwala moved, and Ms. Moore seconded, approval of the minutes for the Personnel Committee, June 13, 2011, Portfolio Risk Management Committee, June 13, 2011, Budget Committee, June 13, 2011, and Board of Directors, June 14, 2011.

The motion was approved unanimously.

The Executive Director stated that since the Board received her report in advance, she would only highlight a few items. Ms. Hamlett began by stating that VRA was designated manager of the Virginia Transportation Infrastructure Bank (VTIB) and is working closely with the Virginia Department of Transportation (VDOT). She welcomed and thanked Mr. John Lawson, Chief Financial Officer for VDOT, who worked closely with staff in developing a management agreement. Ms. Hamlett also thanked Mr. Arthur Anderson of McGuire Woods and VRA staff for their efforts in preparing the agreement. The agreement will define VRA's role as manager of the VTIB. Ms. Hamlett noted that the agreement would be presented to the Commonwealth Transportation Board at its September 21, 2011 meeting.

**Executive
Director's Report**

In addressing the Board, Mr. Lawson also remarked on the working partnership between VDOT and VRA. He stated that VDOT is looking forward to a long and productive relationship as the program gets underway and transportation projects move forward.

Following the VTIB discussions, Ms. Hamlett continued her report with remarks relating to school projects and an interest by some communities for VRA to finance school projects under certain conditions. Ms. Hamlett stated that such financing should only be supported if it complimented and did not conflict with the Virginia Public School Authority (VPSA), the issuing agent for school construction and renovation projects. She said that she would like to continue dialogue with VPSA and work toward developing a policy position for VRA regarding the financing of school projects.

In concluding her report, Ms. Hamlett asked James Traudt of Davenport to address with the VRA Board a lawsuit filed against Davenport. She further stated that she has complete confidence in James Traudt and Ty Wellford in providing guidance to VRA.

Mr. James Traudt, Davenport & Company LLC, read a prepared statement relaying that Davenport is being sued in the Fluvanna Circuit Court. The suit alleges Davenport misled the board for financial gain at the expense of the board and Fluvanna County's taxpayers in connection with the issuance of bonds in 2008.

Mr. Traudt continued that Davenport believes that the allegations are without merit and will vigorously defend the suit. He stated the Board will be updated as the case develops and that Davenport's attorneys are privy to additional information.

Mr. Traudt concluded his statement remarking that none of the professionals associated with the VRA account were involved in the transaction associated with the lawsuit.

The next item for discussion was the Virginia Airports Revolving Fund. Mr. Peter D'Alema, Director of Program Management, stated that \$33.15 million in tax-exempt non-AMT Series 2011A, and tax-exempt AMT Series 2011B of Virginia Airports Revolving Fund (VARF) bonds were successfully sold on August 10, 2011. All debt service savings, after costs of issuance, were passed on to the local borrowers in the form of reduced interest rates of 1.25% on local loans.

VARF Series 2011
Refunding

Mr. D'Alema provided a transaction summary for the VARF Series 2011, noting that the transaction closed on August 23, 2011 and Fitch and Moody's ratings were AA and Aa2, respectively. He stated the underwriters were BB&T Capital Markets, Senior Manager, and Morgan Keegan, Co-Senior Manager.

Mr. D'Alema continued that the VARF Series 2011 included three (3) underlying airport borrowers, and he shared specifics on each borrower. He concluded that the transaction went very well, feedback from the borrowers was very good, and Davenport & Company was extremely helpful.

Mr. O'Brien recognized the tremendous performance by the staff on this bond sale in bringing real dollar savings for the three (3) borrowers given the atmosphere of instability in the financial market.

Ms. Evans requested that VRA staff provide an update on the Virginia Airport Revolving Loan Fund at the next meeting of the Aviation Board.

Mr. Shawn Crumlish, Director of Debt Management, followed up with an overview on the leverage transaction for the 2011 Clean Water State Revolving Fund. He stated that no action is required as the bond issue was approved at the June 14, 2011 meeting. Competitive pricing is scheduled for September 14, 2011, and the closing on September 28, 2011.

**Clean Water
Revolving Fund
Update**

Mr. Crumlish stated that sale will include \$36 million in project funds with \$3 million funded in state match bonds. Mr. Crumlish explained that the Federal Capitalization Grants of \$30 million require \$6 million in state match funds. This bond sale will provide \$3 million and the other \$3 million will come from state appropriations.

Mr. Crumlish referenced the four (4) borrowers and highlighted each of the six (6) projects.

Mr. Peter D'Alema, Director of Program Management, began the discussion on the Direct Purchase Program stating that VRA distributed Requests For Proposals (RFPs) for a commercial paper program, but subsequently decided to pursue an alternative short-term financing option with Wells Fargo due to significant costs associated with a commercial paper program. VRA believes that the alternative program can serve as a bridge for borrowers to a pooled program or as a stand-alone alternative for short-term borrowing.

**Direct Purchase
Program Update**

Mr. D'Alema said the program was mentioned in VRA's newsletter and some interest has been expressed. He stated that staff is still in the process of determining demand for the program and more extensive marketing will be done after the documents are finalized.

Mr. D'Alema shared a slide showing analysis of what is needed in outstanding loans in order to break even in the program.

There was discussion relative to unused commitment fees and basis points to be used for borrowers.

Mr. D'Alema noted that negotiations are ongoing with Wells Fargo and their counsel. Therefore, staff is requesting that documents be tabled until the December 2011 meeting of the Board.

Mr. Peter D'Alema, Director of Program Management, began discussions of the 2011B Virginia Pooled Financing Program (VPFP). He stated that VRA received 23 applications from 22 potential borrowers as of the August deadline. He explained that there was approximately \$313 million in new money and refunding requested proceeds, with the requests covering nine (9) of VRA's authorized project areas. Of the 22 applicants, about 17 of the borrowers will likely be moving forward. Borrowers have until September 16 to confirm their participation in the Fall Pool. He stated that refunding requests are being reviewed by legal counsel to ensure that the borrowers qualify. He referenced the list of applicants and project specifics.

**2011B VPFP
Update**

Mr. D'Alema highlighted the tentative financing schedule stating that pricing on the VPFP Series 2011B bond sale is scheduled for November 1-2, 2011, with closing on November 16, 2011.

Mr. Peter D'Alema, Director of Program Management, continued his presentation stating that VRA received a debt restructuring application from the Richmond Metropolitan Authority that was approved by the PRMC and Board in March 2011. The RMA request is for \$112 million to restructure its Expressway System Series 1992-2008 bonds and to also fund approximately \$22.3 million in new construction projects related to the RMA Expressway.

**2011B VPFP RMA
Application**

Mr. D'Alema continued that the RMA was not ready to participate in the Spring 2011 VPFP due to its on-going negotiations with the City of Richmond. He stated that RMA is continuing negotiations with the City of Richmond which are expected to be finalized by September 22, 2011.

Mr. D'Alema highlighted RMA's restructuring request noting that Fitch has rated RMA "A-" and Moody's and S&P ratings will be forthcoming in October. He shared RMA's credit and transaction strengths, noting that the System includes very mature toll roads with a well-established user base and a history of increased usage.

Mr. D'Alema concluded that the resolution authorizing the issuance of bonds by RMA prohibits commingling of funds of various enterprises.

Therefore, funds can only be pledged to pay Expressway System debt service, which enhances the security of these pledged revenues.

Audit Committee

Committee Reports

Ms. Manju Ganeriwala, Chair of the Audit Committee, stated that the Audit Committee considered two items at its meeting on September 12, 2011. She stated that the Committee approved a recommendation by staff to amend Section III, Number 5 of the VRA Audit Committee Charter. The amendment will change the words "...*Director of Administration and Finance....*" to "...*management....*" She explained that using the word "*management*" will preclude the need for future amendments should the position title change.

The Committee recommends to the Board approval of the amendment.

Ms. Ganeriwala moved, and Mr. Hasty seconded, Board approval of an amendment to Section III, Number 5 of the VRA Audit Committee Charter, changing "...*Director of Administration and Finance....*" to "...*management....*"

The motion was approved unanimously.

Ms. Ganeriwala continued noting that the second item considered by the Committee was the Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ending June 30, 2011. She stated that this is the second year Clifton Gunderson, LLP has performed the audit for VRA. Mr. J. Michael Stephens of Clifton Gunderson served as the lead partner.

Ms. Ganeriwala shared highlights of the audit report, noting that VRA received an unqualified audit opinion on the financial statements. There were no deficiencies identified in internal controls, no instances of non-compliance on any other matters, and no material weaknesses or significant deficiencies reported. She further stated that the report on compliance and internal control over compliance in accordance with OMB Circular A-133, referred to as a single audit, received an unqualified opinion with no deficiencies in accordance with OMB Circular A-133.

Ms. Ganeriwala applauded Mr. Jon McCubbin, Controller, and his staff, Mr. George Panos, Deputy Controller, and Ms. Elizabeth Sacre, Fiscal Administrative Specialist, for the remarkable outcome and successful completion of the CAFR and audit.

Mr. McCubbin highlighted the Authority's statement of net assets, statement of revenues, expenses and changes in net assets. He stated that

operating expenses increased by 12.5%. Mr. McCubbin explained that the increase is due to an increase in principal forgiveness loans to localities from the completion of construction projects related to the funding provided under the American Recovery and Reinvestment Act (ARRA).

Ms. Ganeriwala stated that the Audit Committee recommends approval of the CAFR.

Prior to the vote on the motion to approve the CAFR, Mr. O'Brien stated that usually at this time the Board would go into a closed session to discuss staff's performance during the audit process. However, the closed session was held during the Audit Committee on September 12, 2011, and the Committee was satisfied with the discussion.

Ms. Ganeriwala moved, and Mr. Spencer seconded, approval of the VRA Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending June 30, 2011.

The motion was approved unanimously.

Portfolio Risk Management Committee

Ms. Dena Frith Moore, Chair of the Portfolio Risk Management Committee (PRMC), stated that the Committee held extensive discussions on many of the items presented earlier including the Virginia Airport Revolving Loan Fund Series 2011, the Clean Water Revolving Loan Fund (CWRLF), and the Richmond Metropolitan Authority (RMA).

She stated that there was further discussion on the following:

- Loan monitoring and additional security for the Brownfield Program which falls under the CWRLF. It currently has four (4) loans outstanding, with one (1) of the loans paid off by calling in the letter of credit because of default.
- The Direct Purchase Program is being refined. Staff was challenged to make sure that the value of the program match their efforts. The Committee was pleased with the idea of having a vehicle that will allow borrowers to bridge to the pool if they needed to draw money before the pool.
- The new partnership update included VRA's role in working with VDOT to manage the Virginia Transportation Infrastructure Bank (VTIB) and making sure that staff is properly reimbursed.
- The new partnership update further included discussion relative to VRA entering into a Memorandum of Understanding with the Virginia Tourism Corporation to provide technical support to tourism regarding the financial status of developers in meeting the requirements to receive funding under a gap funding program.

Ms. Moore asked Mr. Jon McCubbin, Controller, to provide an update on the EnABLE System. Mr. McCubbin stated that the system is a comprehensive online servicing system that will allow borrowers to review their account activities, streamline work with trustees, collect payments, and track compliance documents. Mr. McCubbin shared a few highlights from the website to give the Board an idea as to how the system will operate, noting that the system will go live by October 31, 2011 for internal users initially and subsequently borrowers and partners.

In response to the Board, Mr. McCubbin stated that the system provides a mechanism of tracking any activity associated with the individual accounts through a post and review process. There was discussion relative to creating a provision that will allow borrowers to authorize individuals to obtain data pertaining to the accounts.

Ms. Moore concluded her report stating that Ms. Stephanie Bush, Fiscal Analyst/Compliance Officer, provided an update on Loan Monitoring and Compliance relative to the review process for 'red' borrowers or borrowers with the highest risk. She stated that 43 of 59 'red' borrowers have been reviewed with 15 upgraded to 'yellow' and six (6) upgraded to 'green'.

There was no old business.

Old Business

Resolution

Mr. O'Brien read into the record a resolution expressing appreciation and thanks from the Board of Directors of the Virginia Resources authority to Philip J. Duke.

New Business

Ms. Moore moved, and Ms. Ganeriwala seconded, approval of a resolution commending Mr. Philip J. Duke for his dedication to and hard work on behalf of the Virginia Resources Authority and the Commonwealth of Virginia.

The motion was approved unanimously.

The resolution is attached hereto and made a part herein.

Expansion of Office Space

Mr. O'Brien asked Mr. Michael Cooper, Director of Administration, to provide an update on the proposed expansion of VRA office space.

Mr. Cooper stated that VRA is growing and additional office space is needed. He stated that space is available on the 19th Floor across the hall from VRA's current offices. Staff has met with the property owners. In order to preclude other interested entities from securing the property, VRA's intentions are to complete an agreement by early fall and move into the space by December. However, the Board will not meet until December and will not be able to discuss and act on a proposed lease. Mr. Cooper asked for direction and suggestions from the Board on acquiring the space.

Mr. O'Brien provided an alternative to a Board meeting which resulted in the following motion.

Mr. Hasty moved, and Ms. Ganeriwala seconded, that the Chair, Mr. O'Brien, and Ms. Moore review with staff the proposal for leasing additional office space on the 19th Floor, and authorize the Executive Director to enter into a lease agreement if a determination is made that it is in the best interest of VRA to obtain the space.

The motion was approved unanimously.

Committees

Mr. O'Brien officially appointed Ms. Dena Frith Moore as Chair of the Portfolio Risk Management Committee. Mr. O'Brien thanked Mr. Branscome for attending the Portfolio Risk Management Committee and asked that he continue to serve on that Committee.

Mr. O'Brien informed the Board that he and the Executive Director will be reviewing the structure of the Board's committees for possible expansion. He asked that Board members let them know if they are interested in changing committees. Recommendations for committee structures will be brought to the Board for review and approval.

Correspondence

Ms. Jean Bass, Director of Policy & Intergovernmental Relations, shared a note from Mr. Philip J. Duke, former Board member and Chair of the Portfolio Risk Management Committee.

There was no public comment.

Public Comment

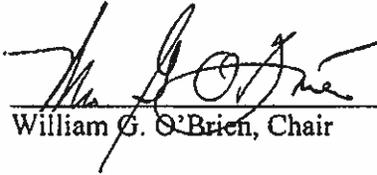
Mr. Hasty moved, and Ms. Moore seconded, adjournment.

Adjournment

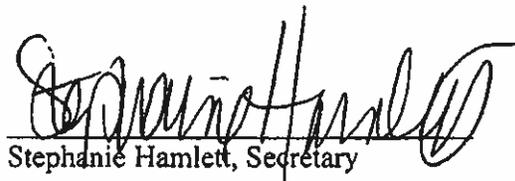
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The motion was approved unanimously, and the meeting adjourned at 10:30 a.m.

The next meeting of the Board is December 13, 2011.



William G. O'Brien, Chair



Stephanie Hamlett, Secretary



**Resolution Expressing Appreciation and Thanks from the Board of
Directors of the Virginia Resources Authority
to Philip J. Duke**

September 13, 2011

Whereas, the Virginia Resources Authority is a public body corporate and a political subdivision of the Commonwealth established to encourage the investment of public and private funds and to make loans, grants, and credit enhancements available to local governments for public projects; and

Whereas, these duties are exercised by a Board of Directors whose members are appointed by the Governor and confirmed by the General Assembly; and

Whereas, Philip J. Duke was appointed in July 2005 by Governor Mark Warner to complete the unexpired term of a retiring member and was reappointed in 2007 by Governor Tim Kaine; and

Whereas, Philip J. Duke's distinguished career and proven track record in transforming businesses through organizational planning and strategic oversight led to his appointment as Chairman of the Board's Strategic Planning Committee where he successfully led the Board's efforts to establish objectives and measures for programs and services; and

Whereas, the Strategic Plan of the Virginia Resources Authority, acknowledged as a model for emulation by agencies and institutions of the Commonwealth, formed the foundation for assuring that the programs and services offered add value and are managed effectively; and

Whereas, in 2008, Philip J. Duke and other Board members observed that changing market conditions along with circumstances and events relating to borrowers required the establishment of a Portfolio Risk Management Committee to focus more attention and oversight on loan monitoring and compliance; and

Whereas, Philip J. Duke's broad experience in financial and operational management was evident in his leadership of the Portfolio Risk Management Committee and by his success in achieving improved processes and sustainable results; and

Whereas, these improved processes include a comprehensive risk-management system, the adoption of industry best management practices, and technology upgrades that will enhance the program effectiveness and efficiency of the Authority for years to come; now

Therefore, be it resolved that the Board of Directors of the Virginia Resources Authority commends Philip J. Duke for his dedication to and hard work on behalf of the Virginia Resources Authority and the Commonwealth of Virginia; and

Be it further resolved that the Board of Directors and staff of the Virginia Resources Authority thank him for his service to this body and to the Commonwealth.

VIRGINIA RESOURCES AUTHORITY
AUDIT COMMITTEE
MINUTES OF THE REGULAR MEETING

The Audit Committee of the Virginia Resources Authority met on September 12, 2011, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Manju Ganeriwala, Chair
David Branscome
Cherry Evans on behalf Randall Burdette
William G. O'Brien, Ex Officio

ABSENT:

James H. Spencer, III

STAFF:

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Jon McCubbin, Controller
Michael Cooper, Director of Administration
Bradley Jones, Program Manager
George Panos, Deputy Controller
Elizabeth Sacre, Fiscal Administrative Specialist

OTHERS:

J. Michael Stephens, Partner
Clifton Gunderson, LLP

Ms. Manju Ganeriwala, Chair, called the meeting to order at 5:02 p.m.

Call to Order

There were no additions, deletions or corrections to the agenda.

Approval of the Agenda

Mr. O'Brien moved, and Mr. Branscome seconded, approval of the agenda.

The motion was approved unanimously.

Mr. Jon McCubbin, Controller, stated that staff is recommending an amendment to Section III, Number 5 of the VRA Audit Committee Charter. The amendment will change the words "...*Director of Administration and Finance*..." to "...*management*..." Mr. McCubbin explained that using the word "*management*" will preclude the need for future amendments should the position title change.

**Amendment to Audit
Committee
Charter**

Mr. O'Brien moved, and Ms. Evans seconded, that the Audit Committee recommend to the Board approval of an amendment to Section III, Number 5 of the VRA Audit Committee Charter, changing "...*Director of Administration and Finance....*" to "...*management...*".

The motion was approved unanimously.

Mr. Jon McCubbin, Controller, commended Mr. George Panos, Deputy Controller, and Ms. Elizabeth Sacre, Fiscal Administrative Specialist, for their support in performing the day-to-day activities of the Division and their assistance with the Comprehensive Annual Financial Report (CAFR).

CAFR for FY2011

Ms. Ganeriwala expressed the Audit Committee's appreciation for the staff's dedication and hard work as reflected in the unqualified opinions received from the auditor.

Mr. McCubbin continued stating that this is the second year Clifton Gunderson, LLP has performed the audit for VRA. He stated that VRA received an unqualified opinion on the financial statements. In addition, the report on Internal Control and Compliance in accordance with Government Auditing Standards had no material weaknesses or significant deficiencies reported. He further stated that the report on compliance and internal control over compliance in accordance with OMB Circular A-133 received an unqualified opinion.

Mr. McCubbin stated that the CAFR was prepared utilizing the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting application guidelines. He noted that VRA received the award for Fiscal Year 2010 and anticipates receiving the award for Fiscal Year 2011, noting that the application is due in November. He stated that VRA did receive one minor comment last year from GFOA requesting explanation of the impact of VRA's policies' on financial statements. The comment is addressed in the CAFR transmittal letter.

Mr. McCubbin continued highlighting the financial statement, noting that VRA's net assets exceeded liabilities for the fiscal year. He explained that total assets increased due to increased lending in the Revolving Loan Fund programs and the VFPF program. Total liabilities increased due to three (3) new bond issuances and an overall increase in net assets.

Mr. McCubbin shared highlights of the statement of revenues, expense, and changes in net assets, noting operating revenue decreased due to a decrease in investment earnings as a result of a low interest rate environment and fewer borrower payoffs. He continued that operating expenses increased and that there was a significant operating loss.

Mr. McCubbin concluded stating that bonds secured by State Moral Obligation increased and unrestricted net assets increased.

Ms. Ganeriwala asked Mr. McCubbin to elaborate on the operating loss noting that it is due to forgiveness loans funded by Federal grants under the American Recovery and Reinvestment Act (ARRA) which is recorded as an expense. She stated that it is not a true operating loss, but shown as such for accounting purposes. Mr. McCubbin concurred with Ms. Ganeriwala and referenced the financial statement to show the federal reimbursement as non-operating income for clarification.

Mr. J. Michael Stephens, Partner with Clifton Gunderson, LLP, continued discussion on the results of the June 30, 2011 Financial Statement Audit. Mr. Stephens reiterated audit results as previously presented by Mr. McCubbin. Mr. Stephens stated that VRA has a very clean audit, staff was prepared and everything needed for the audit was made available.

Mr. Stephens continued that the process included an integrated team of auditors and a single audit compliance specialist. The approach was a risk-based, assessment of internal controls and substantive testing.

Mr. Stephens stated that VRA's audit process was successful because all required communications were quickly addressed. He complimented staff noting that the communication process was smooth with no surprises. He concluded that there were no significant changes in the audit this year, stating that the only adjustments were provided by VRA and there were no passed adjustments as part of the 2011 audit.

In response to Ms. Ganeriwala's inquiry about adjustments, Mr. Stephens explained the process for determining passed adjustments and reiterated that there were no pass adjustments. Mr. McCubbin explained the adjustments provided by VRA and noted that they were due to the receipt and subsequent accrual of vendor invoices after the books were closed.

In reference to single audit reports, Mr. Stephens stated that the auditors do not opine on internal controls, but do opine on compliance and VRA's was found to be unqualified. All programs were considered major because of the American Recovery and Reinvestment Act (ARRA).

In response to Ms. Ganeriwala's question on the sample selection process, Mr. Stephens explained the sample testing process used for VRA's loan portfolio.

Ms. Ganeriwala stated that a closed session is needed to discuss staff's performance during the audit process. **Closed Session**

Mr. O'Brien moved, and Ms. Evans seconded, a motion that the Audit Committee convene in closed session pursuant to Section 2.2-3711(A)(1) of the Code of Virginia, for the purpose of discussion and consideration of the performance of certain VRA employees during the 2011 fiscal year audit process.

The motion was approved unanimously.

The Audit Committee returned to open session and the following motion was made. **Open Session**

Mr. O'Brien moved, and Ms. Evans seconded, that the following resolution certifying closed session be approved.

**Resolution Certifying Closed Session in Accordance with the
Virginia Law**

Whereas, the Audit Committee of the Virginia Resources Authority has on the date of this resolution recessed in to closed session pursuant to a motion made and adopted in accordance with the Virginia Freedom of Information Act; and

Whereas, Section 2.2-3712 of the Code of Virginia requires a certification by the Committee that such closed session was conducted in accordance with Virginia law;

Now, therefore, be it resolved that the Committee does hereby certify that, to the best of each member's knowledge, only the public business matters that were identified in the motion by which closed session was convened, and that were lawfully exempted by the Freedom of Information Act from the Act's open meeting requirements, were heard, discussed or considered by the Committee during the closed session.

A roll call vote on the motion resulted as follows:

Ayes: Mr. Branscome, Mr. O'Brien, Ms. Evans, Ms. Ganeriwala.

Nays: None.

There being no further discussion relative to the CAFR, Ms. Ganeriwala called for a motion to recommend to the Board approval of the CAFR.

CAFR Continued

Ms. Cherry moved, and Mr. Branscome seconded, that the Audit Committee recommend to the Board approval of the VRA Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending June 30, 2011.

The motion was approved unanimously.

There was no old business.

Old Business

There was no new business.

New Business

There was no public comment.

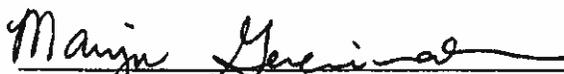
Public Comment

Mr. O'Brien moved, and Ms. Evans seconded, adjournment.

Adjournment

The motion was approved unanimously and the meeting adjourned at 6:00 p.m.

The next meeting is to be determined.



Manju Ganeriwala, Chair



Stephanie L. Hamlett, Secretary

VIRGINIA RESOURCES AUTHORITY
PORTFOLIO RISK MANAGEMENT COMMITTEE
MINUTES OF THE REGULAR MEETING

The Portfolio Risk Management Committee of the Virginia Resources Authority met on September 12, 2011, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Dena Frith Moore, Chair
David Branscome
Manju Ganeriwala
Thomas L. Hasty, III
William G. O'Brien, Ex Officio

ABSENT:

None.

STAFF:

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Shawn Crumlish, Director of Debt Management
Peter D'Alema, Director of Program Management
Jon McCubbin, Controller
Bradley Jones, Program Manager
Stephanie Bush, Financial Analyst/Compliance Officer

OTHERS:

Arthur Anderson, McGuire Woods, Bond Counsel
Renee Fain, McGuire Woods, Bond Counsel
James Traudt, Davenport & Company LLC
Ty Wellford, Davenport & Company LLC

Mrs. Dena Frith Moore, Chair, called the meeting to order at 1:12 p.m.

Call to Order

Mrs. Moore and Mr. O'Brien welcomed Mr. David Branscome to the VRA Board of Directors and Portfolio Risk Management Committee (PRMC). Mrs. Moore stated that PRMC is a hardworking committee focusing on, among other things, loans and new programs for VRA. Mr. O'Brien stated that he hopes Mr. Branscome will have a productive and enlightening experience at VRA and that he will find staff to be very supportive.

There were no additions, deletions or corrections to the agenda.

**Approval of
the Agenda**

Mr. Branscome moved, and Mr. Hasty seconded, approval of the agenda.

The motion was approved unanimously.

Mr. Peter D'Alema, Director of Program Management, reviewed the agenda for the meeting and began his presentation with the Virginia Airports Revolving Fund (VARF) Series 2011 Transaction Summary. He stated that on August 10, 2011, VRA successfully sold \$33.15 million in VARF bonds to refund the existing Series 2011A & B bonds. Mr. D'Alema continued that the sale included Tax-Exempt Non-AMT Series 2011A and Tax-Exempt AMT Series 2011B funds.

**VARF Series
2011
Refunding
Transaction**

Mr. O'Brien complimented staff's efforts on this transaction noting a savings of \$4.6 million. Mr. D'Alema stated that the borrowers were very grateful for the savings noting that all debt service savings, after costs of issuance, were passed on to the local borrowers in the form of a reduced interest rate on local loans of 1.25%.

Mr. D'Alema stated that the true interest cost is 3.26% with an All-In TIC of 3.36%. The underwriters for the refunding transaction were Senior Manager, BB&T Capital Market, and Co-Senior Manager, Morgan Keegan. Mr. D'Alema stated that BB&T provided valuable assistance in helping VRA through the transaction process.

Ms. Stephanie Hamlett, Executive Director, stated that there was some concern about the timing of the sale in view of the economic market and specifically, the S&P downgrade of the U.S. debt. However, Mr. D'Alema added that despite market uncertainties VRA was able to confirm a AA rating.

Mr. D'Alema concluded that the VARF Series 2011 included the Capital Region Airport Commission (Richmond International Airport) which was approximately 97% of the transaction, Dinwiddie Airport and Industrial Authority (Dinwiddie County Airport), and Norfolk Airport Authority (Norfolk International Airport). Local loan interest rates were reduced .25% between 3.11% and 3.28%, inclusive, for the three borrowers.

Mr. Shawn Crumlish, Director of Debt Management, continued the presentation highlighting the 2011 Clean Water State Revolving Fund. He stated that there were four (4) borrowers and six (6) projects, totaling \$39 million. The projects include Alexandria Sanitation Authority, Botetourt County, Upper Occoquan Service Authority, and Western Virginia Water Authority #1, #2, #3 and he shared specifics of each project.

**Clean Water
Revolving
Fund
Leverage**

Mr. Crumlish explained that the bond issuance this year included a portion of the state match funds. He stated that the total required state match for 2011 is \$6 million and \$3 million of the total is coming from state appropriations. Mr. Crumlish stated that this transaction was the first planned competitive sale in several years.

Mr. Crumlish thanked Davenport & Company and McGuire Woods for their continued assistance and direction. He concluded that staff will continue to monitor the outstanding bonds.

Mr. James Traudt, Davenport & Company LLC, proceeded stating that the fixed income markets environment has been generally a good market this year. He continued that there was a significant drop in tax-exempt bonds in the 20-year area.

Mr. Traudt explained that Clean Water Bonds are 20-year bonds with a 15-year average life. As a result of the drop in the treasury market in the ten-year treasury range, there has been a reduction in yield and very little increase in borrowing. This drop, he said, has made refundings more difficult because proceeds cannot be reinvested at an attractive yield.

Mr. Traudt continued that the last Clean Water refunding occurred in the spring of 2010. The transaction eliminated a senior subordinate lien structure that existed for over a decade. As a result, VRA currently has one tranche of AAA rated Clean Water bonds that is a fairly simple and straight forward structure.

Mr. Traudt noted that it is not customary for many clean water programs to price on a competitive basis. However, given the quality of the credit, the size of the transaction in the amount of \$35 million, a favorable market and the fact that VRA has a number of underwriters who have participated in past negotiated transactions, all staff and advisors were confident of a very competitive market for sale of these bonds.

Mr. Traudt explained that there were six (6) bidders registered for the sale on Wednesday, September 15. Based on today's market, he stated that an all in yield of about 3.75% is expected. He stated with a decrease in basis points and subsidies provided, funds will be loaned at 2.75% for 20 years to help finance clean water projects.

Mr. Traudt concluded that staff has been working virtually non-stop since the spring pool on multiple transactions and the positive results are tremendous.

The Executive Director stated that the rating agencies called about a week before the CWRLF leverage transaction was to take place inquiring about the impact of Hurricane Irene on VRA borrowers. She stated that through discussions with some VRA borrowers, it was determined that there was no impact to borrowers.

Clean Water Revolving Loan Fund

Mr. Crumlish continued with the Clean Water Revolving Loan Fund (CWRLF) noting that Brownfield loans are included in this fund. He explained that Brownfield loans are limited and are not pledged to the CWRLF leverage. Mr. Crumlish highlighted the Truxton Development, LLC loan, explaining that VRA was notified by Truxton representatives that there would be no more payments on the loan on and after July 1, 2011. However, the loan was secured by an Irrevocable Letter of Credit and a payment was made by the letter of credit bank on July 21, 2011 including all remaining principal and interest due. The CWRLF did not suffer any loss.

Mr. Crumlish noted that there are currently three (3) outstanding Brownfield loans obtained through the CWRLF by private entities. He stated that the loans are not pledged loans, but two (2) are secured by a first lien Deed of Trust and one (1) by a bank letter of credit. In response to the Committee, the staff further explained that Brownfield loans are small.

In further response to the Committee, Ms. Stephanie Bush, Financial Analyst/Compliance Officer, stated that the Brownfield projects are listed in the 'red' category for loans in the compliance database and are being monitored. There was some concern on the Committee's part related to accepting Deeds of Trust to secure the Brownfield loans due to the risk factor and would prefer Letters of Credit as it makes the loan easier to collect in the event of a default. Mr. Hasty suggested that due diligence be performed to the point that in addition to monitoring the loans for possible default that the banks holding the Letters of Credit be monitored as well to ensure that the bank can fulfill its obligation related to the Letter of Credit in the event that the borrower defaults.

In further response to the Committee relative to the status and approval of Brownfield loans, Mr. Crumlish stated that the final outcome of the pending applications will be determined by December.

Ms. Moore suggested that the current applications for Brownfield Projects be used as test subjects to determine how VRA will respond to requests in the future and the methods for securing the loans.

Mr. Arthur Anderson, McGuire Woods, Bond Counsel, reiterated that Brownfield loans are extremely small and are not tied to publicly sold bonds.

Mr. D'Alema proceeded with an update on the Direct Purchase Program. He stated that in December 2010, VRA distributed a Request For Proposal (RFP) for interim financing in the form of a Commercial Paper Program or an alternative short-term financing program.

**Direct
Purchase
Program
Update**

After interviewing three respondents in January 2011, staff pursued an alternative short-term financing option with Wells Fargo to serve as a bridge for the pool program. This option was selected due to the significant costs associated with a Commercial Paper Program and the unknown level of true demand for short-term/interim financing through VRA.

Mr. D'Alema shared highlights of the Wells Fargo Direct Purchase Program noting the credit facility commitment where Wells Fargo buys notes for its own account. He stated that the program will be significantly less costly for VRA borrowers than a Commercial Paper Program; short-term debt ratings from Moody's, S&P, or Fitch are not needed; unused capacity fees will be lower; and inherent risk associated with remarketing commercial paper will be eliminated.

Mr. D'Alema noted that staff was prepared to bring forth a resolution requesting support of an issuance of up to \$100 million in short-term revenue notes, with the understanding that VRA will enter an initial agreement with Wells Fargo for a \$50 million credit facility. However, because of a breakdown in communication with Wells Fargo over items contained in the program indenture and revolving note purchase agreement, staff is not prepared to make a recommendation to the Committee and the Board at this time, but anticipates a recommendation by the December meeting.

There was extensive discussion related to the Wells Fargo program documents, interest rates, fees, and the demand for the program. Also, discussion transpired relative to short-term funding of Literary Fund loans and requests to finance construction of schools on an interim basis.

Ms. Hamlett explained that VRA would need to coordinate with the Virginia Public School Authority (VPSA) before considering financing of schools. She stated that VPSA is able to obtain a better interest rate than VRA but believes VRA has more flexibility. She stated that VRA is willing to hold discussions with VPSA to determine if it can be of assistance in short term school financing needs.

In response to the Committee, Mr. Traudt explained that the underwriter for the program is located in Richmond. Mr. D'Alema added that staff has discussed the possibility of developing internal guidelines for underwriting to complement existing underwriting guidelines.

Mr. D'Alema concluded that PRMC will be provided an interim report on the program prior to its meeting in December.

Mr. D'Alema presented the 2011B Virginia Pooled Financing Program (VPFP) update, noting that VRA received 23 applications from 22 potential borrowers with projects covering over 9 of VRA's authorized project areas. He continued that of the 22 potential borrowers, it currently appears that 17 will likely be moving forward in the fall pool.

**2011B VPFP
Update**

Mr. D'Alema highlighted the potential borrowers and their projects, which included funding for transportation, school construction, underground utilities, water treatment, public safety and refinancing. It was noted that VRA would not be financing the loan requests for new school construction.

Mr. D'Alema concluded with a tentative Financing schedule for the 2011B VPFP, noting that the anticipated date for closing is November 16, 2011.

The PRMC took a recess at 2:30 p.m. and reconvened at 2:40 p.m.

Recess

Mr. D'Alema explained that VRA received a debt restructuring application from the Richmond Metropolitan Authority (RMA) that was approved by the PRMC and VRA Board in March 2011. The RMA requested up to \$112 million to restructure its Expressway System bonds and fund approximately \$22.3 million in new construction projects relating to the RMA Expressway System.

**2011B VPFP
RMA
Application**

Mr. D'Alema continued that the RMA was not ready to participate in the Spring 2011 VPFP due to on-going negotiations with the City of Richmond relative to repayment of Subordinate Notes used for operating subsidies to the Expressway System between 1973 and 1992. He stated that RMA has re-applied to the Fall 2011 VPFP with the same loan request and plan of finance it presented for the Spring 2011 VPFP.

Mr. D'Alema highlighted RMA's restructuring request noting that Fitch has rated RMA "A-" and Moody's and S&P ratings will be forthcoming in October. He shared RMA's credit and transaction strengths, noting that the System includes very mature toll roads with a well-established user base and a history of increased usage.

Mr. D'Alema added that the resolution authorizing the issuance of bonds by RMA prohibits commingling of funds of various enterprises, which means that funds can only be pledged to pay Expressway System debt service.

Ms. Moore complimented staff on the method in which credits are presented. Mr. Traudt indicated that the credit rating agencies are impressed as well.

Mr. Shawn Crumlish, Director of Debt Management, began the updates on new partnerships. He stated that the management agreement, guidelines and application for the Virginia Transportation Infrastructure Bank (VTIB) will be presented to the Commonwealth Transportation Board for consideration on September 21, 2011.

New
Partnership
Updates

He explained that VRA will serve as the manager of the VTIB and VRA's responsibilities are stipulated in the management agreement.

In response to Mr. Hasty, Mr. Crumlish stated that the management of the VTIB program is similar to the Department of Environmental Quality (DEQ) programs in that VRA will review applications, provide underwriting assistance, and credit analysis on each applicant. He further stated that VRA will determine repayment terms for loans and monitor and enforce recipient compliance with the terms of the project obligations. Mr. Crumlish further responded that assets will not be held by VRA.

In response to Mr. Hasty, Ms. Hamlett explained that funding will be provided to both private entities and local governments for transportation projects. She stated that the only financing role that VRA will play is in the event one of the applicant's transportation projects fits the credit criteria for inclusion in a VRA pooled financing.

In further response to the Board, Mrs. Hamlett stated that the program has to go through the APA process. She explained that after the Commonwealth Transportation Board receives the Management Agreement, it will be at least 60 days before applications will be accepted.

Ms. Hamlett concluded that the Memorandum of Understanding does not need to be returned to the Committee and Board for approval as the Executive Director is directed by statute to sign the document.

Virginia Tourism Corporation

Mr. Crumlish continued with an update on the Virginia Tourism Corporation program established by General Assembly legislation during the 2011 General Assembly Session. The purpose of the legislation is to

encourage certain tourism projects by providing a unique funding opportunity for eligible projects. He explained that a portion of state and local sales taxes up to 20% of the total project collected that is generated by the project can be used to pay debt service (gap funding).

Ms. Hamlett added that the statute creating this program did not include VRA. However, she explained that enabling legislation allows VRA to enter into a Memorandum of Understanding. Ms. Hamlett stated that VRA's main role is to provide technical support to Tourism and staff will be compensated for time associated with the project.

In response to the Committee, Ms. Hamlett explained that the tourism project developer must have in place 80% of the funding for the project (debt or equity) in order to qualify for the program. This provision is necessary because until the project is completed and operating there are no funds to fill the gap. She concluded that VRA has no financial exposure.

Mr. Jon McCubbin, Controller, provided an update on the EnABLE System stating that the intent was to show PRMC some of the EnABLE System at this meeting. However, he explained that the programmers are conducting a conversion of the system and a preview of the program's features including compliance will be provided at the Board meeting on Tuesday, September 13.

**EnABLE
Update**

Mr. McCubbin continued to share the timeline for completion of implementation of EnABLE, noting that EnABLE continued its implementation efforts of VRA's new loan servicing system from June to August 2011. VRA's existing loan servicing system information has been converted into the new EnABLE system and staff tested the conversion data during the week of August 29. He stated that there were some out of balance transactions in the existing system that needed to be corrected which caused the implementation process to fall further behind. The final implementation of the VRA contacts database and loan compliance related information will be converted into EnABLE in September. The EnABLE 'Go Live' date is targeted for the end of October.

Ms. Stephanie Bush, Financial Analyst/Compliance Officer, stated that the FY10 Loan Monitoring & Compliance Database is being finalized for review by the PRMC at the December 2011 meeting.

**Loan
Monitoring
&
Compliance
Update**

She explained that FY2010 compliance reviews were completed for 43 'red' borrowers as of September 1, 2011, with a total of LMCD 'red' borrowers equaling 59. Ms. Bush stated that seven (7) FY10 audits from 'red' borrowers have not been received to date. She continued that criteria have been defined to use in determining upgrade of borrowers. As a result,

staff recommends upgrading 15 borrowers to the yellow risk category and six (6) borrowers to the green risk category. She noted that four (4) red borrowers will be paid off by January 1, 2012.

Ms. Bush proceeded to highlight three borrowers in an effort to show the different categories of compliance. The borrowers included a borrower remaining in the 'red' category, a borrower recommended for upgrade to the 'green' category, and a borrower that has prepaid their single loan to VRA. She shared the reasons for the actions taken on each borrower.

There was no old business.

Old Business

There was no new business.

New Business

There was no public comment.

**Public
Comment**

Mr. Hasty moved, and Ms. Ganeriwala seconded, adjournment.

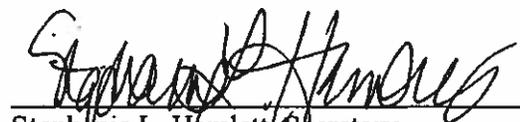
Adjournment

The motion was approved unanimously, and the meeting adjourned at 3:24 p.m.

The next meeting of the Committee is December 12, 2011.



Dena Frith Moore, Chair



Stephanie L. Hamlett, Secretary