

VIRGINIA RESOURCES AUTHORITY

**STRATEGIC PLANNING COMMITTEE
MINUTES OF THE REGULAR MEETING**

The Strategic Planning Committee of the Virginia Resources Authority met on June 9, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia

Members Present

John H. Rust, Jr., Chair
David Branscome
Dena Frith Moore
William G. O'Brien, Ex Officio

Members Absent

Randall P Burdette
James H. Spencer, III

Other Members Present

Thomas L. Hasty, III
Valerie Thomson on behalf of David Paylor
(Arrived at 2:51 p.m. for the Personnel Committee)

Staff

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

Others

Greg Brittingham, Virginia Commonwealth University Performance Management Group

Call to Order

The meeting was called to order by Mr. John H. Rust, Jr., Chair, at 1:55 p.m.

Approval of Agenda

Motion by Ms. Moore, seconded by Mr. Branscome to approve the agenda.

Motion carries unanimously.

Focus Group Results

Mr. Rust asked Mr. Greg Brittingham with the Virginia Commonwealth University Performance Management Group (VCU-PMG) to review results of meetings held with focus groups in regard to VRA's Strategic Plan. Mr. Brittingham stated that Focus Groups consisted of a cross-section of borrowers, financial partners and agency partners. He referenced sample discussion questions used in the groups, noting that the questions varied depending on the stakeholder group. VRA staff attended the meetings long enough to greet the participants and urge everyone to be forthright and honest.

Borrowers Focus Group: Mr. Brittingham began by sharing the results of the Borrower Focus Group. This group enjoys working with VRA because of the excellent responsiveness, knowledge and service VRA provides. The borrowers indicated that the revolving loan program requires more documentation and specific timing requirements than the pool financing program which makes the pool a little easier to use. Concern was expressed relative to the constant change in leadership over the past several years even though the service of VRA did not diminish.

Mr. Brittingham continued with specific recommendations of the group. The first is VRA's ability to assist non-bay localities relative to the Environmental Protection Agency's (EPA) plan to change limits on ammonia and nitrogen releases into the Chesapeake Bay. This change will affect all wastewater treatment plants.

In response to Mr. Rust, Ms. Bass and Executive Director Hamlett explained that the borrowers are referencing the Clean Water Revolving Fund for wastewater upgrades, which is administered by the Department of Environmental Quality. VRA is not involved in the application process. VRA's role is to provide a credit analysis to determine if the applicants are credit-worthy borrowers for underwriting purposes.

Ms. Hamlett added that VRA is considering a part-time position for outreach and marketing of the pool. This position could possibly be used to provide information relative to other funds which may help the frustration as it applies to VRA.

Mr. Brittingham stated that the borrowers are interested in call provisions within the pool financing program and refinancing being shorter than ten years as well as ways that VRA could assist localities with stormwater issues. The group further suggested that VRA strengthen its regional presentations on VRA programs and success stories; utilize periodic e-blasts relative to recent success stories; and improve the website by increasing the amount of information available to reduce the need for direct contact.

Mr. Brittingham concluded that the group was interested in the possibility of stormwater-specific workshops, consultant presentations on the pros and cons of VRA financing, and presentations to

statewide boards of relevant professional groups such as the American Water Works Association (AWWA).

Financial Partners Focus Group: Mr. Brittingham proceeded to present comments from the Financial Partners Focus Group, noting that the participants had at least 10 or more years of working with VRA. The participants expressed pleasure in their long-term relationship with VRA including the Pooled Bond Program. They complimented staff on their excellent institutional knowledge, responsiveness, flexibility, focus on the applicants, and willingness to consider options when helping potential borrowers. When asked to provide areas for improvement or criticisms of VRA, the participants were hard-pressed to suggest any feedback. Mr. Brittingham asked them to consider "what if" scenarios that could take VRA to the next level.

The participants indicated that on occasion they have been advocates for VRA in regard to complaints relative to the paperwork involved in the application process; however, the paperwork is no more than required in the private sector. In fact, the upfront work actually reduces the overall complexity.

Mr. Brittingham stated that one of the concerns of the group is that an applicant received private funding after their application was turned down by VRA. The concern is the impact of this action on VRA in light of the fact that VRA was created to provide funding for municipalities that cannot receive funding otherwise.

The Committee agreed stating that this is an area that needs to be visited by VRA. However, it was noted that the refusal to accept the application was probably based on a variety of factors such as security offered and structure of the loan.

Mr. Brittingham continued that the group suggested that VRA explore the option of contracting financial advising and application assistance services to help municipalities with very limited financial and human resources. They further suggested that these services be underwritten by VRA.

There was extensive discussion relative to VRA's application process and assistance provided to potential borrowers.

Mr. Brittingham stated that additional recommendations included the creation of a high yield or junk pool to provide financing options for less credit-worthy localities. Also, VRA may want to consider reexamining the credit-worthiness criteria to help ensure that municipalities and small towns do not fall through the cracks. Continuing the regional workshops was recommended. The group suggested that VRA build-in local board and council meeting dates and public hearings when preparing closing schedules to avoid last minute rushes. In addition, the group noted that the external relationship with the State Non-Arbitrage Program (SNAP) is deteriorating and VRA should monitor the dynamics of this relationship and intervene as necessary. Lastly, Mr. Brittingham stated that VRA appears to operate at its peak when the leadership is encouraging and supports staff initiative. The group recommended that efforts be made to retain its staff.

Agency Partners Focus Group: Mr. Brittingham stated that the participants in the Agency Partners Focus group expressed a very good working relationship with VRA. They recommended that VRA retain its mission focus of being the lender of last resort, and continue with the software system development that was attempted to ensure improved online reporting capabilities, applications and disbursements. The group expressed concern relative to indirect cost allocations and the need for more transparency and the need for timelier billing. Mr. Brittingham concluded that the group expressed the desire for VRA to meet with multiple partners more often, similar to this gathering, to discuss common needs and issues and ways to increase everyone's positive impact. Lastly, due to VRA's specialized experience and expertise that is different but complimentary to the subject matter expertise the partners possess, it was suggested that continuous access to VRA technical assistance be allowed as much as possible.

Next Steps

Mr. Rust suggested a half day to focus on the Strategic Planning Committee Focus Group. After discussion, it was the consensus of the Committee to tentatively meet on Monday, June 30, 2014 at 2:00 p.m. Ms. Jean Bass, Director of Policy & Intergovernmental Relations, will attend the meeting on behalf of the Executive Director to offer institutional knowledge.

In response to Mr. Rust, Mr. Brittingham stated that the Board has a very open and trusting relationship with staff and communications are transparent. He stated that discussions with the Committee should set future direction and vision for VRA and set goals for VRA for the next five years. The result of this discussion should ensure that staff knows the strategic priorities for VRA.

Committee members asked that staff provide the number of potential borrowers that have been deferred and sought financing elsewhere. Mr. Rust suggested that Ms. Stephanie Jones, Fiscal Analyst/Compliance Officer, be contacted should the Committee members require additional information for the meeting on June 30.

Old Business

There was no old business

New Business

There was no new business.

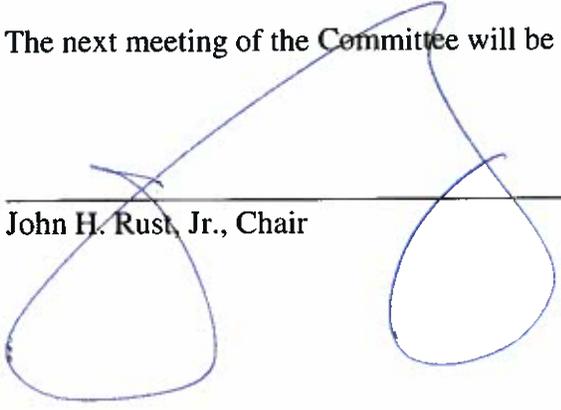
Public Comment Period

There was no comment from the public.

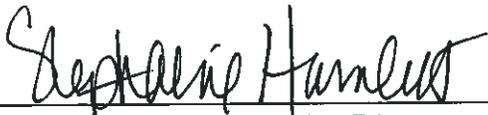
Adjournment

There being no further business to come before the Committee, the meeting adjourned at 2:54 p.m.

The next meeting of the Committee will be held on Monday, June 30, 2014.



John H. Rust, Jr., Chair



Stephanie Hamlett, Executive Director
Secretary to the Board

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

The Portfolio Risk Management Committee of the Virginia Resources Authority met on Monday, June 9, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

Members Present:

Dena Frith Moore, Chair
David Branscome
Thomas L. Hasty, III
John H. Rust, Jr.
William G. O'Brien, Ex Officio

Members Absent:

Manju Ganeriwala

Staff:

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Michael Cooper, Director of Administration
Shawn Crumlish, Director of Debt Management
Peter D'Alema, Director of Program Management
Jon McCubbin, Controller
Kimberly Adams, Program Manager
Jonathan Farmer, Financial Analyst
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachael Logan, Administrative Manager

OTHERS:

Arthur Anderson, McGuireWoods LLP, Bond Counsel
James Traudt, Davenport & Company LLC
Ty Wellford, Davenport & Company LLC
Leah Schubel, Public Finance Analyst, Davenport & Company LLC

Call to Order

The meeting was called to order by Ms. Dena Frith Moore, Chair, at 1:30 p.m.

Approval of Agenda

There being no amendments to the agenda, motion by Mr. Rust, seconded by Mr. Branscome, to approve the agenda as presented.

Motion carries unanimously.

2014A VPFP Update: Ms. Moore stated that the Committee has one action which pertains to the FY2015 Shelf Resolutions. However, she stated that the Committee will receive updates on the 2014A Virginia Pooled Financing Program (VPFP) from Mr. Peter D'Alema, Director of Program Management, and Mr. Ty Wellford, Davenport & Company LLC.

Mr. D'Alema stated that the spring pool was a very successful transaction. The bonds sold for \$96.16 million bonds on May 7, 2014 on behalf of seven local government borrowers, and included five of VRA's 18 authorized project areas. The bonds were split between senior and subordinate bonds and the AAA and AA ratings were confirmed by the rating agency. The interest rates were lower than the target interest rates, which pleased borrowers participating in the 2014A pool. Mr. D'Alema explained that the senior, or Infrastructure Revenue Bonds, were done on a negotiated basis with Bank of America Merrill Lynch as the Senior Manager, and Citigroup, Jefferies and Raymond James serving as co-managers. The subordinate, or State Moral Obligation Bonds, were sold on a competitive basis with Bank of America Merrill Lynch as the winning bid.

Mr. D'Alema introduced Mr. Ty Wellford, Davenport & Company LLC who provided an overview of the market conditions of the 2014A bond transaction. Mr. Wellford stated that there were favorable market conditions leading up to the sale of the 2014A bonds. He noted that the Infrastructure Bonds sold at a par amount of \$66,290,000, and the Moral Obligation Bonds sold at a par amount of \$29,870,000. He shared a graph depicting the debt service structure of the bonds including principal and interest, stating that most of the debt matures within 20 years; however, the 2014A bonds have an average life just over 14 years. He showed a graphic of the 30-year benchmark yield over the last 12 months for tax-exempt yields and the 30-day visible supply yield, noting that overall issuance has been down and it appears that volume will continue to be low for the rest of the year. Mr. Wellford concluded by sharing graphics of the 2014A Infrastructure Bonds orders and allotments relating to negotiated AA and AAA bonds that were offered. He noted that VRA had more orders than bonds offered which is good for VRA. Mr. Wellford concluded with a discussion of VRA sales of Infrastructure and Moral Obligation Bonds since 2013, and a comparison of the transaction relating to Infrastructure and Moral Obligation Bonds issued from May 2013 to May 2014.

Mr. D'Alema continued highlighting the 2014A VPFP borrower summary, noting there were eight loans, with Frederick Winchester Service Authority having the largest loan, followed by Hanover County. He explained that Hanover County used a special revenue pledge as security and received approval from the Committee and Board for the full project costing \$44 million for a courthouse in the spring pool. However, Hanover split the transaction and requested \$19.5 million for the spring pool and will consider the remainder of the project in the fall pool which

will require an additional credit analysis and Committee approval. He continued that there were three borrowers in the Series 2014A VFPF that refunded prior debt obligations for a net present value savings. This transaction was above the refunded par which is normally 3%. He stated that the top ten borrowers in the VFPF portfolio represent 38% of the overall portfolio with the largest borrower being 6.59% of the overall portfolio. He explained that Stafford County is new to the top borrowers' list and is very highly rated. Mr. D'Alema explained the moral obligation (MO) debt capacity after the 2014A issuance, the remaining MO debt capacity, noting that approximately \$29.5 million in MO backed debt will mature between June 30, 2014 and November 1, 2014. He concluded with an explanation of the VFPF five-year issuance trend, stating that FY2014 realized the lowest issuance over the five-year period. The budget for FY2015 VFPF new issuances is approximately \$120 million of MO backed debt.

In response to Ms. Moore, Mr. D'Alema stated that as long as there is demand, there will be three VFPF pools. He added that any exposure that will have an impact on VRA borrowers will be presented to the Committee and Board for approval. He further stated that the Full Board will receive a briefing on Tuesday, June 10, 2014 from McGuireWoods LLP regarding a SEC continuing disclosure initiative that will have some implications for the pool.

2014B VFPF Summer Pool

Mr. Peter D'Alema, Director of Program Management, stated that there were seven loan requests received for 2014B Virginia Pooled Financing Program (VFPF) summer pool consideration and seven to ten borrowers are expected to participate. VRA did reach out to 27 existing VFPF and PLBP (Pooled Loan Bond Program) borrowers with net present value savings of at least 3% on existing debt obligations. The 2007 and 2008 pools are beginning to show savings. Mr. D'Alema stated that at least four existing VRA borrowers are expected to refund five loans for the summer pool. In addition, negative arbitrage related to the defeasance escrows is significant in some cases and is a major consideration for some of the refunding borrowers.

Mr. D'Alema proceeded to share a chart outlining seven loan requests; however, at least two have withdrawn and may be considered in the fall. He provided a credit analysis to the Committee relative to Stafford County which will be applying for refinancing on prior debt. He explained that due diligence calls have been completed and transaction details will be provided at the September 2014 PRMC meeting. He concluded that the Bond sale will be held on July 29, 2014 and the pre-closing and closing will take place on August 12 and 13, 2014, respectively.

In response to Ms. Moore, Mr. D'Alema explained that Stafford County is offering three forms of collateral that collectively meet the 75% collateral to loan value guideline.

FY15 CWRLF State Match Bonds

Mr. Shawn Crumlish, Director of Debt Management, explained that each year since 1987 the Clean Water Revolving Loan Fund (CWRLF) has received a federal capitalization grant. This grant requires a 20% state match. However, the Commonwealth did not appropriate an amount sufficient to meet the state match requirement as has been the situation for the last three years. The Environmental Protection Agency (EPA) provides regulations and policy guidance through

approval of the Committee and Board for an authorizing resolution to cover the State's share of the match. He explained that the capitalization grant is estimated to be \$29 million and staff recommends approval of the entire amount, noting that bonds are repaid with direct loan interest payments out of the debt reserve. The request is before the Committee at this time as the resolution needs to be issued prior to the September meeting of the Committee.

There was discussion relative to the effect on VRA if the State budget is not approved by June 30, 2014.

FY2015 Shelf Resolutions

Mr. Peter D'Alema, Director of Program Management, explained that each year the Committee and Board approve Shelf Resolutions authorizing the amount of issuance for the fiscal year. These resolutions include the VFPF shelf resolution authorizing up to \$450 million in FY2015 issuance; VARF (Virginia Airports Revolving Fund) shelf resolution authorizing up to \$10 million in FY2015 issuance; the Clean Water Revolving Loan Fund (CWRLF) shelf resolution authorizing up to \$5.8 million in FY2015 issuance; and shelf resolution authorizing the issuance and sale of bonds to refund outstanding bonds, including the required State-Match Bonds as long as a minimum of 3% net present value savings can be achieved.

Motion by Mr. Hasty, seconded by Mr. Rust, that the PRMC recommend to the Full Board adoption of the FY2015 shelf resolutions as follows: the VFPF shelf resolution authorizing up to \$450 million in FY2015 issuance; VARF (Virginia Airports Revolving Fund) shelf resolution authorizing up to \$10 million in FY2015 issuance; the Clean Water Revolving Loan Fund (CWRLF) shelf resolution authorizing up to \$5.8 million in FY2015 issuance; and the shelf resolution authorizing the issuance and sale of bonds to refund outstanding bonds, including the required State-Match Bonds, as long as a minimum of 3% net present value savings can be achieved.

Motion carries unanimously.

The resolutions are attached hereto and made a part herein.

Old Business

There was no old business.

New Business

There was no new business.

Public Comment Period

There was no public comment.

Adjournment

There being no further business to come before the Committee, the meeting adjourned at 1:27 p.m.

The next meeting of the Committee will be held on Monday, September 8, 2014.



Dena Frith Moore, Chair



Stephanie Hamlett, Executive Director
Secretary to the Board

**PERSONNEL COMMITTEE
MINUTES OF THE REGULAR MEETING**

The Personnel Committee of the Virginia Resources Authority met on June 9, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

Members Present:

Thomas L. Hasty, III, Chair
Valerie Thomson on behalf of David K. Paylor
William G. O'Brien, Ex Officio

Members Absent:

Barbara McCarthy Donnellan
Randall P Burdette

Other Board Members Present:

John H. Rust, Jr.

Staff:

Stephanie Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Michael Cooper, Director of Administration
Shawn Crumlish, Director of Debt Management
Peter D'Alema, Director of Program Management
Jon McCubbin, Controller
Rachael Logan, Administrative Manager

Others:

None.

Call to Order

The meeting was called to order by Mr. Thomas L. Hasty, III, Chair, at 3:00 p.m.

Approval of Agenda

There being no amendments to the agenda, the agenda stands approved as presented.

Old Business

There was no old business

New Business

Mr. Michael Cooper, Director of Administration, provided a presentation to the Committee on the following:

Employee Compensation: Mr. Cooper stated that VRA continues to meet goals and objectives with a hard-working and dedicated staff of 15 (including the executive director). Budget levels have remained well within reason resulting in savings and opportunities for state partners and borrowers. In recognition of staff's continued effort, a 2.5% merit increase is recommended for eligible employees based on annual evaluations, effective July 1, 2014. In addition, a .5% one-time bonus is recommended if VRA meets its mid-year projections based on pool and other funding programs. Allocation of funds to cover the compensation will be taken from VRA programs that generate direct fees.

Health Insurance Premiums: Mr. Cooper explained that effective July 1, 2014, VRA's health insurance premiums for FY2015 will increase slightly. In previous years, VRA has absorbed the annual increases in order to maintain employee contributions at or near the same rate. Staff recommends spreading the increase across the board in an effort to maintain the current cost percentages for VRA and its employees. Mr. Cooper shared a chart summarizing the proposed FY2015 employee contribution rate increases based on the single, dual and family plans.

In response to Mr. Rust, Mr. Cooper explained that VRA is a beneficiary of the pool concept of The Local Choice Program. It was also noted, due to its small staff, VRA is not subject to certain ACA requirements that affect larger organizations.

Health Insurance Benefits - Part-Time Employees: Mr. Cooper explained that staff is recommending a change to the Personnel Policies Manual to allow an incentive to provide health insurance benefits to part-time employees who work 25 hours or more per week. This recommendation is based on anticipation by VRA on hiring a part-time employee in the very near future. In addition, a resolution has been provided for consideration and approval stating that part-time health insurance benefits will be offered in accordance with the regulation of The Local Choice Program administered by the Virginia Department of Human Resources Management. The resolution is effective July 1, 2014.

After discussion, it was the consensus of the Committee to amend the recommended change to the Personnel Policies Manual, page 5, under Employee, Regular Part-Time, third sentence to read, "Part-time employees who work 25 hours or more per week *will be offered* health insurance benefits."

Virginia Retirement System (VRS) Rate: Mr. Cooper stated that the Committee is in receipt of a resolution pertaining to employer retirement contribution to VRS. He explained that each local government and political subdivision participant in VRS has been afforded the opportunity to select either the certified rate established by VRS or the rate set by the General Assembly. Mr. Cooper stated that staff is recommending approval of the VRS certified rate of 3.62%, noting

that the resolution is effective July 1, 2014. Mr. Cooper concluded that the certified rate is most beneficial for VRA because of its young staff with limited tenure.

Motion by Mr. O'Brien, seconded by Mr. Hasty, to recommend to the Full Board approval of a 2.5% merit increase for eligible employees based on annual evaluation, effective July 1, 2014; a .5% one-time bonus if VRA meets its mid-year projections based on pool and other funding programs; adopt the health insurance rates for VRA and its employees as presented; an amendment to the Personnel Policies Manual to provide health benefits for part-time employees working 25 or more hours per week; a resolution stating that part-time health insurance benefits will be offered in accordance with the regulations of The Local Choice Program administered by the Virginia Department of Human Resources Management; and a resolution establishing the employer contribution rate to VRS at the certified rate of 3.62%.

Motion carries.

Closed Session: Mr. Hasty called for a motion to go into closed session.

Mr. O'Brien moved, and Mr. Rust seconded, that the Personnel Committee of the Board of Directors of the Virginia Resources Authority convene into closed session pursuant to Section 2.2-3711(A)(1) of the Code of Virginia for the purpose of discussion of the performance and compensation of specific public officers or employees.

The closed session convened at 3:20 p.m.

Open Session: The open session reconvened at 3:44 p.m. The Executive Director read the following resolution certifying closed meeting.

RESOLUTION

WHEREAS, the Personnel Committee of the Board of the Virginia Resources Authority (the "Authority") convened a closed session on June 9, 2014, pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by the Personnel Committee that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Personnel Committee of the Board of the Virginia Resources Authority does hereby certify that, to the best of each member's knowledge, (i) only the public business matters that were identified in the motion by which the closed session was convened and lawfully exempted by the Virginia Freedom of Information Act were discussed in the closed session to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Committee.

Mr. O'Brien moved, and Mr. Rust seconded, approval of the above-stated resolution certifying closed meeting.

A roll call vote on the motion resulted as follows:

Ayes: Mr. O'Brien, Mr. Rust, Ms. Thomson, and Mr. Hasty.

Nays: None.

Absent during vote: Randall P Burdette, Barbara McCarthy Donnellan.

Absent during meeting: Randall P Burdette, Barbara McCarthy Donnellan.

Mr. Rust moved, and Mr. O'Brien seconded a recommendation to the Full Board to accept the recommended salary by the Governor for the Executive Director, along with a 5% increase for retirement plan contributions.

Motion carries.

Motion by Mr. Rust, seconded by Mr. O'Brien, to recommend to the Full Board that should the General Assembly adjourn this Session without confirming the appointment of Stephanie L. Hamlett as Executive Director of the Virginia Resources Authority, that the Board request the Governor appoint an Interim Executive Director who would be authorized to appoint a Deputy Executive Director and General Counsel to serve in that capacity until such time as an Executive Director is appointed by the Governor and confirmed by the General Assembly.

Motion carries.

Public Comment Period

There was no public comment.

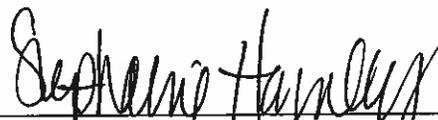
Adjournment

Motion by Mr. O'Brien, seconded by Mr. Hasty, that the meeting be adjourn.

Motion carries and the meeting adjourned at 3:49 p.m.



Thomas L. Hasty, III, Chair



Stephanie Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY

BUDGET COMMITTEE

MINUTES OF THE REGULAR MEETING

The Budget Committee of the Virginia Resources Authority met on June 10, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

Members Present

Barbara McCarthy Donnellan, Chair
John J. Aulbach II, P.E.
Thomas L. Hasty, III
Dena Frith Moore
Valerie Thomson on behalf of David Paylor
William G. O'Brien, Ex Officio

Members Absent

Manju Ganeriwala

Other Board Members Present

Randall P Burdette (Arrived at 8:48 for Board Meeting)
John H. Rust, Jr.

Staff Present

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Michael Cooper, Director of Administration
Peter D'Alema, Director of Program Management
Jon McCubbin, Controller
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachael Logan, Administrative Manager

Others Present

None

Call to Order

The meeting was called to order by Mrs. Barbara McCarthy Donnellan, Chair, at 8:05 a.m.

Approval of Agenda

There were no additions or deletions to the agenda. Therefore, the agenda was approved as submitted.

Budget Presentation

Mrs. Donnellan asked Mr. Jon McCubbin, Controller, to provide the budget presentation.

Mission and Strategic Goals: Mr. McCubbin stated that VRA is currently going through a strategic planning process that should be completed by September 2014. However, he stated staff does not anticipate any significant changes to the mission and goals as they are in line with VRA's current focus. He explained that the budget was developed with the mission and goals in mind to ensure that activities of the budget were in line with those objectives.

FY2014 Budget Update: Mr. McCubbin continued that the FY2014 budget is tracking well overall with total revenues of \$4.2 million exceeding total expenses of \$3.0 million. He noted that the expenses are under budget because the need to fill three anticipated authorized positions did not materialize.

Mr. McCubbin continued that staff foresees a budget surplus of \$1.2 million and these funds will be used to fund goals set in March 31, 2013 for the Unrestricted Net Assets Reserves. Currently, there is a shortfall in the reserves, with the biggest driver being the Portfolio Risk Management (PRM) Reserve, \$12 million. This reserve was created to cover potential payment defaults by borrowers and to further protect from any risk of drawing on the state's Moral Obligation capacity. Mr. McCubbin explained that the PRM Reserve is determined considering the risks in the current portfolio. In response to Mrs. Donnellan, Mr. McCubbin stated that staff's forecast is to meet the PRM reserve within five-years. This goal takes into account new projected issuances.

Mr. McCubbin shared an analysis of the FY2014 PRM reserve by volume. In response to Ms. Moore, he explained that the significant increase in the PRM reserve from FY2013 to FY2014 is based on the loan monitoring and compliance database year-end report which is lagged based on submission of borrower audits. Therefore, the PRM analysis is based on FY2012 data and in FY2012 there was a huge increase in issuances.

There was discussion relative to the percentage of red (risk) borrowers in the PRM reserve. It was noted that 13% of red borrowers in the portfolio is based on projections. Each year an analysis will be conducted based on the data and subsequently projections will be reallocated. It was further explained that all red borrowers are not high risk because various factors such as economics and demographics are considered as part of the analysis. A borrower may have strong revenues and/or reserves, but rank high risk due to economic outlook or diminishing tax base.

FY2015 Key Budget Drivers: Mr. McCubbin stated that FY2015 budget drivers are aligned with VRA's goals. He explained that the first goal emphasizes value added programs. In this regard, the budget provides for the continued payment of trustee fees and arbitrage rebate calculation services for local participants in the Virginia Pooled Financing Program (VPFP) and Pooled Loan Bond Program (PLBP).

The second goal is to strengthen and expand state partnerships, and this goal will be achieved by passing through only those costs incurred by agency partners. He continued that the third goal, refining financial programs to meet customer needs, is addressed in the budget by providing more outreach for technical assistance, continued regional training opportunities, a part-time position to focus on outreach, and the completion of the Strategic Plan. Mr. McCubbin concluded that the fourth goal is to strengthen and sustain VRA's ability to provide affordable financing options. This goal will be achieved in the budget through an increase to provide staff training and development and to expand VRA's lease for office space. In response to Mr. McCubbin, Mr. Michael Cooper, Director of Administration, explained that the renovations to the office space being acquired are anticipated to be completed within two months. He noted that VRA will realize a savings on the existing lease, once that term expires, as a result of the expansion. Mr. Cooper shared details of the renovation.

Mr. McCubbin thanked Mr. Cooper for taking the lead on this project and for working with Ms. Moore and Mr. O'Brien. This space was secured at market rate and eventually a savings will be realized on the existing lease.

FY2015 Proposed Budget: Mr. McCubbin proceeded with a graphical representation comparing the revenues, expenses, and operating income for the FY2015 Budget to the FY2014 Actuals. He noted that FY2015 expenses are estimated to be higher than FY2014 because of the new part-time position, an additional staff position built in as a contingency, and the lease expansion.

Mr. McCubbin stated that VRA is anticipating about \$120 million in new VPPF issuances. Twenty loans are anticipated each for the Clean Water Revolving Loan Fund (CWRLF) and the Drinking Water State Revolving Fund (DWSRF). A decrease in volume is anticipated for the Virginia Transportation Infrastructure Bank (VTIB) as all the original allocations from the state have been distributed. He shared a breakdown of expenses by program of FY2015 allocated expenses. Mr. McCubbin concluded with a graphical representation of the General Fund, noting that there is slight growth in the pool program due to a low interest rate environment and absence of bond insurance. Program revenue is projected to be consistent with the prior year.

Mr. McCubbin stated that the personnel line item is the largest expense line item in the FY2015 budget at over \$1.8 million. He explained that the Personnel Committee approved a 2.5% merit increase for staff which is consistent with other state and local governments and a one-time, 0.5% bonus for staff if VRA meets its mid-year projections based on pool activity, and an additional one part-time and one full time staff position. Further expenses include payment of trustee and arbitrage rebate fees, outreach and lease expansion.

Mr. McCubbin shared a graphical representation of General Fund expenses. He noted that operating expenses have increased primarily due to an \$80,000 contingency as part of the budget methodology adopted by the Board in 2007 and the lease expansion. He stated that all revenues over expenses will be transferred to the PRM Reserve.

Mr. O'Brien suggested that VRA move forward with funding the PRM reserve, but once the reserve level is met, requested that staff look at adjusting the fees charged to VRA's borrowers if

the trend of excess revenues continued. Mr. Hasty suggested that a rebate be given to customers at year-end or close to year-end which could help increase VRA's customer base if participants knew they would be rebated any potential excess revenues.

There was discussion relative to the pros and cons of having a budget stabilization fund and mechanism to replenish the fund. This fund would be in addition to the PRM reserve and used when general funds are exhausted. It was noted that VRA has a general reserve fund, and the PRM reserve was established to prevent any draw on the Commonwealth's Moral Obligation as a result of a borrower default on a loan funded from a VRA obligated financing.

Mr. McCubbin shared a five-year projection showing how the PRM reserve will be funded between FY2015 – FY2019.

Mr. McCubbin explained that the Technology and Efficiency Repair and Replacement Fund reserve replaces the Technology and Efficiency Budget which was moved to the operating budget. The operating budget will be used to fund planned technology needs with the reserve being utilized for unplanned technology needs. The reserve is set based on estimated replacement costs of technical equipment in light of any potential catastrophic event.

Mr. McCubbin concluded that the Community Investment & Education Fund has been eliminated with the remaining funds being captured in VRA's General, Technology and PRM Reserves. He explained that outreach efforts are currently funded and paid from VRA's General Fund. The budget was originally created to collect revenues from sponsors for expenses associated with outreach efforts.

Motion by Mr. Hasty, seconded by Mr. Aulbach, to recommend to the Full Board approval of the FY2015 Budget as presented.

Motion carries unanimously.

Old Business

There was no old business.

New Business

There was no new business.

Public Comment Period

There was no public comment.

Adjournment

Motion by Mr. Hasty, seconded by Ms. Moore, to adjourn the meeting.

Motion carries and the meeting adjourned at 8:50 a.m.

The next meeting of the Committee is to be determined.



Barbara McCarthy Donnellan, Chair



Stephanie Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY

**STRATEGIC PLANNING COMMITTEE
MINUTES OF THE REGULAR MEETING**

The Strategic Planning Committee of the Virginia Resources Authority met on June 30, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

Members present

John H. Rust, Jr., Chair
Randall P Burdette
Dena Frith Moore
James H. Spencer, III

Members Absent

David Branscome
William G. O'Brien, Ex Officio

Staff

Jean Bass, Director of Policy & Intergovernmental Relations
Stephanie Jones, Fiscal Analyst/Compliance Officer

Others

Greg Brittingham, Virginia Commonwealth University Performance Management Group

Call to Order

The meeting was called to order by Mr. John H. Rust, Jr., Chair, at 2:00 p.m.

Approval of Agenda

There were no amendments or deletions to the agenda. The agenda stands approved.

Review of Survey Results

Survey results were made available to the Committee as resource materials.

Recap of Focus Group Results

Focus Group results were made available to the Committee as resource materials.

Historical Fiscal Data

Historical fiscal data was made available to the Committee as resource materials.

Review of Strategic Plan

Mr. Greg Brittingham, Virginia Commonwealth University Performance Management Group, stated that the Committee will revisit VRA's mission with discussion leading to broader goals thereby developing a five-year vision. He continued that the information will be provided to staff for discussion and further development of strategies and options to fulfill VRA's vision.

Mission

The Committee was presented with the current Mission statement: "Virginia Resources Authority provides innovative, cost-effective and sustainable financial solutions to build vibrant and healthy Virginia communities."

Mr. Burdette stated that the mission relates to the State Code and the Committee has to be sure to include direction as set forth in the Code. He stated that the vision derived should show where VRA will be in five years. The goals should provide guidance as to how VRA will transition over the next five years.

Mr. Brittingham began the process stating that based on the fact that VRA is established by state statute and its current mission statement, what does the Committee think the mission is missing? He suggested that the Committee ask itself three questions: What does VRA do? To whom is VRA providing services? What are the benefits derived if VRA is wildly successful in pursuing its mission?

Mr. Brittingham suggested that the Committee specifically consider the question "To whom is VRA providing services", stating that the current mission statement addresses the other two components of a mission statement. The Committee agreed the mission statement should address all three components and that "Virginia localities" are the direct beneficiaries of VRA's work. Ms. Bass shared with the Committee that borrowers under VRA's statute are called local governments, which include public service authorities for example.

After considering several ways to phrase the mission, the Committee agreed upon one statement to be VRA's new mission. The Committee said they fine-tuned the mission to be the following: "VRA provides Virginia localities with cost-effective, sustainable, and innovative financial solutions for projects that create vibrant and healthy communities."

Vision

Mr. Brittingham stated that the vision should reflect how the world will be different if VRA is wildly successful in accomplishing its Mission.

The Committee divided into two groups to determine what makes VRA special. The groups concluded that VRA:

- Provides technical assistance to smaller communities to complete loan applications;
- Assists with getting communities in contact with financial consultants and funding that they could not get on their own;
- Partners to make financing happen;
- Is cheaper to partner with because money is saved, and time and development of expertise is provided to its customers;
- Gets financing done faster, flexible and at a lower cost;
- Provides for the public health, safety, and general welfare of the Commonwealth;
- Provides convenience to local governments when seeking to borrow in that it saves staff time; and
- Assists newly created authorities that do not have any creditworthiness.

Mr. Brittingham stated that based on the comments VRA helps localities either through direct financing, technical assistance or both. It brings projects to fruition that may not otherwise ever happen because of a lack of a credit history or other expertise. In this regard, he proposed the following vision to begin discussion.

“Our vision is to enable Virginia localities to benefit from market access and cost advantages provided by VRA so that they can execute projects that enhance quality of life for Commonwealth citizens.”

The following visions were proposed as a result of discussion:

Mr. Burdette offered, “Through VRA, the Commonwealth enables Virginia localities to benefit from the cost advantages, expertise, and market access so that they can execute projects that enhance the quality of life of Commonwealth citizens.”

Mr. Brittingham offered, “The quality of life of the Commonwealth citizens have been enhanced because of VRA’s ability to provide benefit from expertise, market access, and cost advantages that VRA makes available.”

Mr. Rust offered, “The quality of life of Virginia citizens has been enhanced by VRA’s expertise, market access and cost advantages.”

Mr. Brittingham offered, “The quality of life of the Commonwealth’s citizens has been enhanced because of VRA’s ability to provide expertise, market access and cost advantages.”

Mr. Burdette offered, “The quality of life of the Commonwealth’s citizens has been enhanced because of VRA’s ability to provide financing with expertise, market access and cost advantages.”

The Committee reached a consensus on the following vision:

Ms. Moore offered, "The quality of life of the Commonwealth's citizens has been enhanced by VRA's ability to provide technical expertise, market access and cost advantages in financing public projects on behalf of Virginia's localities."

Threats and Opportunities

The Committee once again divided into two groups with one group discussing threats and the other discussing opportunities as they relate to the future of VRA. A report out resulted as follows:

- Opportunities: Enhance financial education of local governments while not telling the localities what to do; provide debt management counseling; expand partnerships with other state agencies like the partnerships with Tourism and Transportation; work more closely with the Planning District Commissions (PDCs), as they are getting more involved in projects; enhance web presence as a repository providing information about the organization including everything that is hands off and social media such as blogs and Facebook; pursue multi-level funding; take advantage of opportunities to talk to new members of the General Assembly and potential clients and explain what VRA does; consider creation of other revolving loan funds for maximum impact; prioritize projects to avoid the perception of injustices by developing standards and informing applicants whose applications are deferred that VRA is willing to work with them and help them determine what is needed to get an application approved; encourage certification of the organization and staff because VRA is more than just a state lending institution; create an enhanced electronic system for more efficient management and report generation.

There was discussion relative to optimal use of the Portfolio Risk Management (PRM) database to the fullest extent and on-line applications. Ms. Bass explained that the database is being used effectively and that the concern with the on-line applications is with the financial advisors and not the borrowers.

- Threats: Current technology fails; lack of good relationships with Virginia government legislative and executive branch to continue to do what VRA does; reduction in the size of pool results thereby negatively affecting revenues that feed through to a number of negative activities such as possible staff reduction or layoffs; a declined economy that will stop localities from being able to borrow; rise in interest rates that wreak havoc; loss of autonomy if VRA is merged with a larger entity to seek efficiencies; an electorate that views debt less favorably; unpredictable and highly variable federal funding for revolving loan funds; material disintermediation of the bond market that will result in the market becoming self-sufficient such that good borrowers can get funding on-line and development of a more direct transaction between borrowers and lenders; reduction in the Commonwealth's credit rating; ability to retain a good staff; reemergence of legitimate alternatives to what VRA does, such

as bond insurance; material default of borrowers in the pool, call on moral obligation or reduction in the size of the authorized moral obligation debt capacity.

Goals

The Committee divided into two groups to review the threats and opportunities as outlined above and develop potential goals. The following is the result of discussion.

- Enhance our outreach and constituent communications regarding the Virginia Pooled Financing Program (VPFP) and our role in Revolving Loan Funds (RLFs)
 - Borrowers - current and potential
 - Legislature
 - Financial Advisors
 - Include social media
- Manage perception
- Hire an outreach manager
- Take advantage of YouTube and website
- Explore potential VML/VACo Finance partnership
- Partner with PDCs – they are a potential for development
- Communicate with partners on what is needed next; they have their six-year plans and know what is coming within their Charters
- Assess new financial products requested by customers
- Find new revenue sources
 - Hospitals
 - Universities
 - New state agency partnerships
 - Funding revolving funds for areas in our charter
- Maintain and motivate staff by creating opportunities for growth in pay and responsibility
- Have Board of Directors hire Executive Director
- Perform a compensation review to ensure that staff is fairly compensated and make sure staff has challenging work to do and not just busy work
- Cross-train staff
- Capitalize on the intern program
- Identify a “farm team” to draw from when staff are needed since VRA work is specialized
- Continue to employ discipline in underwriting and protocols – while not losing ability to be creative/responsive to individual borrowers in terms of program needs
- Optimize internal and external technology infrastructure system
- Eliminate false starts related to technology/software system
- Fully develop software and automation through customized software development or commercial off the shelf product
- Continue risk management and financial management (PRMC is doing a good job monitoring financial risk and needs to continue)
- Ranking software for prioritization

- Determine if VRA should be an advocate for the revolving funds by being proactive and having input into VRA's destiny by giving insights to the General Assembly and channeling their focus. Develop external advocacy of revolving funds.

There was extensive discussion relative to VRA's relationship with the General Assembly and ways to market VRA to localities. Several suggestions included sending congratulatory letters to newly elected officials of cities, towns, counties and General Assembly members along with information on VRA and services it provides. Ms. Bass explained that VRA markets workshops to elected officials, boards of supervisors, managers and finance directors of local governments because they all attend VRA workshops and are all involved in financial decisions of the localities.

Next Steps

Mr. Brittingham stated that much has been accomplished. The information obtained will be formatted in typical strategic planning language and forwarded to the committee for review and comment.

Mr. Burdette stated that he would like to have another meeting of the Committee. He explained that the goals are good but objectives should be developed to show what VRA will do to fulfill the goals. Objectives and action plans must be developed to make the goals effective. Mr. Rust and the other members of the Committee agreed that staff should develop the objectives to meet the goals. Mr. Burdette was also agreeable to staff's development of specific objectives.

Mr. Brittingham stated that it is his intent to work with the staff to develop the objectives for review by the Committee.

Ms. Bass stated that staff is reviewing and updating information relative to VRA. She indicated that the information being compiled may be beneficial and supplement discussions in terms of VRA's current status and the process for moving forward. Staff plans to submit the information to the Committee in September 2014.

Mr. Rust asked the Committee to review all information being prepared for review and let him know if a meeting of the Committee is needed prior to September 2014.

Old Business

There was no old business.

New Business

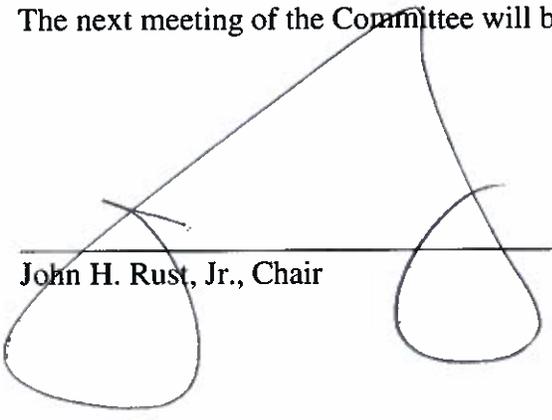
There was no new business.

Adjournment

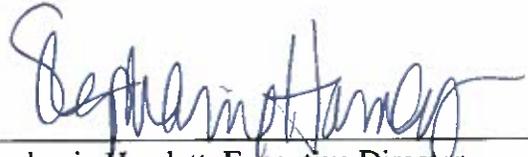
Mr. Burdette moved, and Mr. Spencer seconded, to adjourn.

The motion carries, and the meeting adjourned at 4:40 p.m.

The next meeting of the Committee will be September 8, 2014.



John H. Rust, Jr., Chair



Stephanie Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY
BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on June 10, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

Members Present

William G. O'Brien, Chair
James H. Spencer, III, Vice Chair
John J. Aulbach II, P.E.
Randall P Burdette (Left the meeting at 9:29 a.m.)
Barbara McCarthy Donnellan
Thomas L. Hasty, III
Dena Frith Moore
John H. Rust, Jr.
Valerie Thomson on behalf of David K. Paylor

Members Absent

David Branscome
Manju Ganeriwala

Staff Present

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
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachael Logan, Administrative Manager

Others Present

Arthur Anderson, McGuireWoods LLP, Bond Counsel
T. W. Bruno, McGuireWoods LLP
James Traudt, Davenport & Company LLC
Ty Wellford, Davenport & Company LLC
Walter Gills, Department of Environmental Quality

Call to Order

The meeting was called to order by Mr. William G. O'Brien, Chair, at 9:02 a.m.

Mr. O'Brien welcomed Ms. Valerie Thomson to the VRA Board of Directors. Ms. Thomson, Administration Director, has been named the designee for Mr. David K. Paylor, Executive Director of the Department of Environmental Quality (DEQ). She is replacing Mr. Richard F. Weeks, Jr. who served on the Board for many years. In addition, Ms. Thomson is a Certified Public Accountant and a career employee of the State for nearly 25 years, serving primarily in DEQ.

Ms. Thomson thanked Mr. O'Brien stating that she is happy to be a part of the Board.

Approval of Agenda

Mr. O'Brien explained that the Executive Session scheduled to discuss a legal issue with Mr. Arthur Anderson, McGuireWoods LLP, Bond Counsel, will not be held. Mr. Anderson will brief the Board in open session.

Hearing no further changes, Mr. O'Brien called for a motion to approve the agenda.

Motion by Mr. Hasty, seconded by Ms. Moore, to approve the agenda.

The motion carries.

Approval of Meeting Minutes

Hearing no additions, corrections or deletions, Mr. O'Brien called for approval of minutes of the Audit Committee, Strategic Planning Committee and Portfolio Risk Management Committee held on March 24, 2014, and the Board of Directors held on March 25, 2014.

Motion by Ms. Moore, seconded by Mr. Hasty, that the minutes of the Audit Committee, Strategic Planning Committee and Portfolio Risk Management Committee held on March 24, 2014, and the Board of Directors held on March 25, 2014, be approved.

The motion carries.

Mr. Rust abstained citing his absence at the March meetings.

Executive Director's Report

Ms. Stephanie L. Hamlett stated that she is happy to return as the Executive Director of VRA. She highlighted her report stating that VRA is currently in discussions with the Virginia Tourism Corporation (VTC) relative to the Cavalier Hotel project in Virginia Beach. She will keep the Board apprised as the project moves forward.

Ms. Hamlett continued that VRA is planning its second Statewide Infrastructure Financing Conference in Roanoke, VA, December 10 - 12, 2014. This conference will be similar to the 2012 conference. However, a few different aspects will be included such as investing funds and

mediation. Consideration is being given to the possibility of inviting colleges to attend the conference as it relates to economic development. The Legislative Committee may want to consider whether VRA is a good resource for financing college projects. She concluded that the December 2014 Committees and Board meetings will be held at the Conference.

Mr. O'Brien stated that included in Ms. Hamlett's written report is the dedication of Natural Bridge. He stated that he and staff traveled to Rockbridge County to join legislators and the Governor for the ceremony. Mr. O'Brien continued that he had the opportunity to speak to the Governor who immediately recognized VRA's involvement in the transfer of property to a non-profit charitable foundation. It was good to hear the Governor recognize the work of the VRA staff.

Mr. O'Brien welcomed Ms. Hamlett back to VRA.

Committee Reports

Personnel Committee: Mr. Thomas L. Hasty, III, Chair, summarized several actions considered by the Committee on Monday, June 9, 2014.

Mr. Hasty moved, and Mrs. Donnellan seconded, approval of the employee compensation plan; established health insurance premiums; an amendment to the Personnel Policies Manual to provide health insurance benefits for part-time employees who work 25 hours or more per week; a resolution stating that part-time health insurance benefits will be offered in accordance with the regulation of The Local Choice health insurance program (TLC) administered by the Virginia Department of Human Resource Management (DHRM); a resolution certifying VRA's annual contribution rate to the Virginia Retirement System (VRS); and to accept the salary presented by the Governor's Office for the Executive Director/General Counsel position along with 5% to cover associated VRS contributions retroactive to April 21, 2014.

There was no discussion or questions regarding the motion.

The motion carries.

Mr. O'Brien stated that the letter from the Governor's office appointing Executive Director Stephanie L. Hamlett and establishing her salary will be made a part of the minutes.

The resolutions are attached hereto and made a part herein.

Budget Committee: Mrs. Barbara McCarthy Donnellan, Chair, stated that the Budget Committee met prior to the Board meeting. She asked Mr. Jon McCubbin, Controller, to provide highlights. The Budget Committee did move forward to approve the Fiscal Year 2015 Budget as presented and recommends approval by the Full Board.

Mr. McCubbin stated that the FY2015 budget totals \$3.4 million, a 13% increase over the FY2014 projected actual budget. A budget surplus of \$862,000 is estimated, which will be used

to fund VRA's Portfolio Risk Management Reserve, projected to increase the Reserve to just short of its goal. He continued that the personnel budget has increased by 5% to \$1.85 million and includes a merit increase of 2.5%; an optional 0.5% bonus at midyear if the Virginia Pooled Financing Program (VPFP) revenues are in line with projections; one additional full-time position; and one additional part-time position for outreach and marketing. Mr. McCubbin pointed out that VRA will continue to pay trustee and arbitrage rebate fees for Pool participants; and expand current lease space by approximately 2,800 square feet to accommodate additional office space and a VRA conference room. Outreach efforts through community workshops and a statewide conference will continue; and training and development will remain for staff with the training budget being increased by 25%. Mr. McCubbin concluded that 20 new loans are estimated in each of the Clean Water Revolving Loan Fund (CWRLF) and the Drinking Water State Revolving Fund (DWSRF) programs.

There was no discussion or questions pertaining to the budget.

Ms. Donnellan moved, and Mr. Rust seconded, that the Fiscal Year 2015 Budget be approved as presented by staff and reviewed by the Budget Committee.

The motion carries.

Ms. Moore added that the Budget Committee discussed the allocation methodology for the various programs and felt good about the thoughtfulness with which staff is allocating general administration expenses across the programs.

Strategic Planning Committee: Mr. John H. Rust, Jr., Chair, stated that the Committee met on Monday, June 9, 2014, along with Mr. Greg Brittingham of the Virginia Commonwealth University Performance Management Group (VCU-PMG). An update was provided relative to the focus group meetings held throughout the state including borrowers, financial partners and agency partnerships. Mr. Rust continued that the first theme from the focus groups was that VRA has an excellent staff that needs to be preserved and recognized as VRA's primary asset moving forward. Secondly, all focus groups would like additional outreach from VRA and would welcome the opportunity to talk with staff to discuss common needs and issues. Thirdly, he said, there is a concern relative to applicants not approved by VRA, but approved elsewhere, particularly because VRA is supposed to be the lender of last resort.

Mr. Rust explained that the presentation was for information only and did not require action. The Committee has set a tentative date for the afternoon of Monday, June 30, 2014 to focus on VRA's mission, thereby setting future direction for staff for the next five years. Mr. Brittingham will subsequently meet with staff; and the process will conclude with Mr. Brittingham returning to the Strategic Planning Committee with information that will provide for the development of a grand Strategic Plan.

Mr. O'Brien added that one of the observations from borrowers is that leadership at VRA appears to be a revolving door, thereby providing a poor image of the organization. He stated that he will be meeting with the Secretary of Commerce and Trade during the first week of July.

He will explain that VRA constituents, as well as the Board, believe that over the long term VRA will be best served if there is a change in law to permit the appointment of the Executive Director by the VRA Board of Directors. Such an action, he explained, will provide some comfort of long-term consistency from a Board and staff perspective, as well as from rating agencies that may have VRA under scrutiny.

Portfolio Risk Management Committee (PRMC): Ms. Dena Frith Moore, Chair, stated that the Committee met on Monday, June 9, 2014. She asked Mr. Peter D'Alema, Director of Program Management, and Mr. Ty Wellford, Davenport & Company LLC, to provide summaries of the 2014A Virginia Pooled Financing Program (VPFP) and the upcoming 2014B VPFP. She asked Mr. Shawn Crumlish, Director of Debt Management, to provide a summary of the Clean Water State Match Bond Funding. She concluded that the Board will be asked to take action on the FY2015 Shelf Resolutions.

2014A VPFP: Mr. Wellford stated that the market conditions were favorable leading to the sale, noting that the market has continued to improve since August of 2013. The improving market, he said, is a result of mixed economic news and a lack of supply. He continued that the 2014A VPFP went to market on May 7, 2014 and closed on May 21, 2014. There were \$96 million in bonds offered between two series with the AAA Infrastructure Bonds selling on a negotiated basis, and the AA Moral Obligation Bonds on a competitive basis. The Infrastructure Bonds sold at \$66,290,000 and the syndicate was led by Bank of America Merrill Lynch, Senior Manager, and Co-Managers Citigroup, Jefferies, and Raymond James. The True Interest Cost (TIC) was very good at 3.25%. The Moral Obligation Bonds were purchased by the Bank of America for \$29,870,000, with a TIC of 3.35%. Mr. Wellford shared a graph depicting the debt service structure of the bonds including principal and interest, stating that most of the debt matures within 20 years; however, the bonds have an average life just over 14 years. He continued with a slide showing the level of volume to be issued over the next 30 days, and details on the negotiated Infrastructure Bonds, sharing the orders and allotments. VRA did underwrite about 14% of total bonds. He concluded showing composite weighted average yields versus benchmark yields for both the Infrastructure Bonds and Moral Obligation Bonds which were positive.

Mr. Randall P Burdette left the meeting at 9:29 a.m. due to a work-related commitment.

Mr. D'Alema continued highlighting the 2014A VPFP noting that this transaction was way above the refunded par which is normally 3%. He shared the borrower summary, noting there were eight loans and seven borrowers with Frederick Winchester Service Authority having the largest loan, followed by the Hanover County courthouse project. He explained that Hanover County used a special revenue pledge as security and received approval from the Committee and Board. He continued that there were three borrowers in the Series 2014A VPFP that refunded prior debt obligations for a net present value savings. He stated that the top ten borrowers in the VPFP portfolio represent 38% of the overall portfolio with the largest borrower being 6.59% of the overall portfolio. He added that Stafford County is new to the top borrowers' list and is very highly rated. Mr. D'Alema explained the moral obligation (MO) debt capacity after the 2014A issuance, the remaining MO debt capacity, noting that approximately \$29.5 million in MO

backed debt will mature between June 30, 2014 and November 1, 2014. He concluded with an explanation of the VPPF five-year issuance trend, stating that FY2014 realized the lowest issuance over a five-year period. The budget for FY2015 VPPF new issuances is approximately \$120 million for MO backed debt.

2014B VPPF Summer Pool: Mr. D'Alema, stated that there were seven loan requests received for 2014B Virginia Pooled Financing Program (VPPF) summer pool consideration; however, ten to twelve loans are anticipated. He explained that Frederick Winchester Service Authority will be seeking funding for a project that was partially funded in the Spring Pool. In addition, Stafford County is requesting the largest of the loans in the pool. A credit analysis of the Stafford County request was provided to the PRMC. He concluded that the Bond sale will be held on July 29, 2014 and the pre-closing and closing will take place on August 12 and 13, 2014, respectively.

FY2015 CWRLF State Match Bonds: Mr. Crumlish, explained that the Clean Water Revolving Loan Fund (CWRLF) federal capitalization grant is estimated to be \$29 million. However, this grant requires a 20% state match, which will be slightly under \$5.8 million. VRA depends on issuing State Match Bonds to meet that requirement. The loan maturity is less than one year and will be paid with interest from interest bearing direct loans in the program. Anticipated issuance of the State Match Bonds is late summer. He explained that this action is necessary because the Commonwealth did not appropriate an amount sufficient to meet the state match requirement.

FY2015 Shelf Resolutions: Ms. Moore stated that the PRMC recommends that the Board approve the annual FY2015 Shelf Resolutions for all of VRA's programs. She stated that the proposed authorized amount of \$450 million for the pool is down from \$650 million and that this decrease is a reflection of anticipated demand.

Motion by Ms. Moore, seconded by Mrs. Donnellan, that the following FY2015 shelf resolutions be approved as follows: the VPPF shelf resolution authorizing up to \$450 million in FY2015 issuance; VARF (Virginia Airports Revolving Fund) shelf resolution authorizing up to \$10 million in FY2015 issuance; the Clean Water Revolving Loan Fund (CWRLF) shelf resolution authorizing up to \$5.8 million in FY2015 issuance; and the shelf resolution authorizing the issuance and sale of bonds to refund outstanding bonds, including the required State-Match Bonds, as long as a minimum of 3% net present value savings can be achieved.

The motion carries.

The resolutions are attached hereto and made a part herein.

Securities and Exchange Commission

The Executive Director stated that Mr. Arthur Anderson and Mr. T. W. Bruno of McGuireWoods LLP will brief the Board on the Securities and Exchange Commission initiative relating to continuing disclosure.

Mr. Bruno stated that every issuer of bonds in the public market must undertake continuing disclosure and VRA must provide annual information and notice of certain enumerated events as set forth in the Securities and Exchange Commission (SEC) rules. The SEC has been increasing its scrutiny of disclosure in the municipal security market for maybe two to three years. SEC believes that there is widespread disregard among issuers of their continuing disclosure obligation and widespread disregard of underwriters of their due diligence obligations. Therefore, the SEC proposed The Municipalities Continuing Disclosure Cooperation Initiative. Under this initiative the Division of Enforcement of the SEC is offering to underwriters and issuers such as VRA the option to self-report in instances in which an official statement contained materially inaccurate statements about past continuing disclosure compliance. Under the settlement terms available to issuers, the SEC has said that there will be no financial penalties if agencies come forward and self-report. There will be, however, remedial action taken, a formal continuing disclosure policy must be put in place, and settlements need to be disclosed in VRA's offering documents. The self-reporting needs to be done by September 9. Mr. Bruno stated that McGuireWoods LLP is proposing that VRA establish a sub-committee of the Board to work with the Executive Director, staff and McGuireWoods LLP to perform an audit of VRA's continuing disclosure filings and to interact with underwriters to determine if they are self-reporting, and authorize self-reporting depending on findings.

In response to Mrs. Donnellan, Mr. Bruno explained that the statute of limitations for reporting is five years; however, VRA will need to review at least ten years because of the manner in which the bonds are issued. The rules have not changed over the last five-years for reporting; however, the continuing disclosure undertakings have slightly changed relative to bonds issued before 2009.

Ms. Donnellan stated that forming the committee is a good idea. She asked that the Board be notified of blatant or forgotten material findings. She further requested that the Board be notified of the underwriters associated with material findings.

Ms. Donnellan moved, Mr. Hasty seconded, acceptance of a resolution authorizing the creation of a committee of the Board of Directors and delegating to it the authority to take certain actions related to the Securities and Exchange Commission's Municipalities Continuing Disclosure Cooperation Initiative, and authorizing actions related thereto; and that should material issues arise the Full Board be provided written notification, with a full report to be presented at the September 9, 2014 meeting of the Board.

The motion carries.

Resolution is attached hereto and made a part herein.

Closed Session

Mr. Rust moved, and Mr. Hasty seconded, that the Board of Directors of the Virginia Resources Authority 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 and compensation of specific public officers, employees, or appointees.

The motion carries.

The closed session convened at 10:04 a.m.

Open Session

The open session reconvened at 10:11 a.m. The Executive Director read the following resolution certifying closed meeting.

RESOLUTION

WHEREAS, the Board of Directors of the Virginia Resources Authority (the "Authority") convened a closed session on June 10, 2014, pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by the Board of Directors that such closed session was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors does hereby certify that, to the best of each member's knowledge, (i) only the public business matters that were identified in the motion by which the closed session was convened and lawfully exempted by the Virginia Freedom of Information Act were discussed in the closed session to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Committee.

Mr. Rust moved, and Mr. Hasty seconded, approval of the above-stated resolution certifying closed session.

A roll call vote on the motion resulted as follows:

Ayes: Mr. Spencer, Mr. Aulbach, Mrs. Donnellan, Mr. Hasty, Ms. Moore, Mr. Rust, Ms. Thomson, Mr. O'Brien

Nays: None.

Absent during Vote: Mr. Branscome, Mr. Burdette, Ms. Ganeriwala

Absent during meeting: Mr. Branscome, Mr. Burdette (left at 9:29 a.m.), Ms. Ganeriwala

Mr. Hasty moved, and Mr. Rust seconded, that items discussed by the Personnel Committee pertaining to the Executive Director be approved.

The motion proposed was to accept the recommended salary by the Governor for the Executive Director (attached and made part of the minutes), along with a 5% increase for retirement plan contributions retroactive to her start date; and should the General Assembly adjourn this Session

without confirming the appointment of Stephanie L. Hamlett as Executive Director of the Virginia Resources Authority, that the Board request the Governor appoint an Interim Executive Director who would be authorized to appoint a Deputy Executive Director and General Counsel to serve in that capacity until such time as the Executive Director is affirmed by the General Assembly.

The motion carries.

Old Business

The Chairman read a resolution expressing appreciation, gratitude and best wishes from the Board of Directors of the Virginia Resources Authority to Richard F. Weeks, Jr. for his dedication, sacrifice and service to the Authority and to the Commonwealth.

Mr. Spencer moved, and Mr. Hasty seconded, approval of the resolution expressing appreciation of the Board of Directors of the Virginia Resources Authority to Richard F. Weeks, Jr.

The motion carries.

The resolution is attached hereto and made a part herein.

New Business

Mr. O'Brien reminded the Board of the Statewide Infrastructure Financing Conference to be held in Roanoke, VA, December 10 - 12, 2014.

Public Comment Period

There was no public comment.

Adjournment

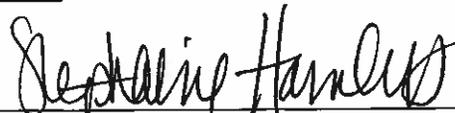
There being no further business to come before the Board, motion by Mr. Hasty, seconded by and Ms. Moore, to adjourn.

Motion carries, and the meeting adjourned 10:17 a.m.

The next meeting of the Board will be held on September 9, 2014.



William G. O'Brien, Chair
Board of Directors



Stephanie L. Hamlett, Executive Director
Secretary to the Board