

VIRGINIA RESOURCES AUTHORITY
BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on March 1, 2016, in the Virginia Resources Authority Conference Room, Bank of America Building, Suite 1920, 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. on behalf of Marissa Levine
David Branscome
Clifford Burnette on behalf of Randall P Burdette
Barbara McCarthy Donnellan (Conference Call per policy)
Thomas L. Hasty, III
Bradley Jones on behalf of Manju Ganeriwala
Dena Frith Moore
John H. Rust, Jr.
Valerie Thomson on behalf of David K. Paylor

Members Absent

None.

Staff Present

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy
Michael Cooper, Director of Administration & Operations
Shawn Crumlish, Director of Financial Services
Peter D'Alema, Director of Program Management
Kimberly S. Adams, Senior Program Manager
Joseph Bergeron, Financial Services Manager
Stephanie Jones, Program Manager/Compliance Officer
Rachael Logan, Fiscal & Administrative Specialist
Emmanuel Oyaghiro, Senior Financial Analyst
George Panos, Deputy Controller
Jonathan Farmer, Program Manager

Others Present

Steve Pellei, Virginia Department of Health
T. W. Bruno, McGuireWoods, LLP

Ty Wellford, Davenport & Company, LLC
Leah Schubel, Davenport & Company, LLC
Alicia Petska, The Roanoke Times

Call to Order

Mr. William G. O'Brien, Chair, called the meeting to order at 9:00 a.m. He welcomed Mrs. Barbara McCarthy Donnellan to the meeting via conference call.

Approval of Agenda

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

Motion carried.

Approval of Meeting Minutes

The Chair called for a motion to approve the minutes of the Personnel Committee and Portfolio Risk Management Committee meetings, held on December 7, 2015; and the Board of Directors, meeting held on December 8, 2015.

Motion by Mr. Aulbach, seconded by Mr. Rust, to approve the minutes of the Personnel Committee and Portfolio Risk Management Committee meetings, held on December 7, 2015; and the Board of Directors meeting, held on December 8, 2015.

Motion carried.

Executive Director's Report

Ms. Stephanie L. Hamlett, Executive Director, highlighted her report stating that she and staff joined the Chairman in attendance at the Virginia Association of Counties (VACO) Annual Meeting, November 8-10, 2015. In addition, she and staff attended the Rural Summit and met with the Vice Chair of the House Appropriations Committee, Delegate R. Steven Landes, to further acquaint him with VRA. The meeting went well.

Ms. Hamlett continued that VRA has a Memorandum of Agreement (MOA) with the Virginia Tobacco Region Revitalization Commission (VTRRC) in connection with VTRRC's Revolving Loan Fund to be managed by VRA. The document has been signed by VTRRC, and the Treasurer, as required. VRA is reviewing its first five applications for the fund.

Ms. Hamlett stated that she was appointed to the Board of the Council of Infrastructure Financing Authority (CIFA) and has been relatively active with the organization through conference calls, emails, and other inquiries. Mr. Shawn Crumlish, Director of Financial Services, has also been active and will be attending CIFA's policy meeting where he will introduce the lead speaker from Hampton Roads Sanitation District (HRSD).

Ms. Hamlett concluded her report with a discussion of proposed legislation that would impact VRA. HB801, proposed by Delegate Rick Morris, prohibited the Commonwealth and localities from imposing a charge and calling it a fee unless it is directly linked to cost, including tolls, water and sewer charges, and loans. A coalition of local government representatives who raised concerns were successful in having the bill withdrawn. In addition to this measure, there was budget language from the Governor regarding assistance for Natural Bridge in the Senate version of the budget and not in the House version. Therefore, VRA cannot move forward with a possible resolution until there is a final budget. She noted that Natural Bridge is current on its payments.

Municipalities Continuing Disclosure Cooperation Initiative (MCDC)

Mr. John H. Rust, Jr., Chair of the Municipalities Continuing Disclosure Cooperation Initiative Subcommittee (MCDC) stated that recent articles in *The Bond Buyer* prompted the MCDC meeting and the action requested by the Subcommittee is precautionary. Mr. Rust said the Securities and Exchange Commission (SEC) is now shifting its focus to municipal issuers who filed disclosures under the MCDC Initiative. Further, he noted, should a settlement be offered or required of VRA prior to the Board's June meeting, the MCDC Subcommittee is recommending Board approval of a resolution that provides that the Executive Director notify the MCDC Subcommittee of any settlement offer and authorizes the Executive Director to enter into a settlement agreement.

Motion by Mr. Rust, seconded by Ms. Moore, to approve a resolution authorizing the Virginia Resources Authority Executive Director to enter into a settlement with the Securities and Exchange Commission under the Municipalities Continuing Disclosure Cooperation Initiative.

Motion carried.

The resolution is attached hereto and made a part herein.

Portfolio Risk Management Committee (PRMC)

Ms. Dena Frith Moore Chair, Portfolio Risk Management Committee, shared the following.

2016 Clean Water State Revolving Fund (CWSRF): Ms. Moore explained that VRA may pursue a refunding of the Clean Water State Revolving Loan Fund Revenue Bonds, Series 2010B. The Series 2010B bonds are showing strong savings and the intent is to pass the savings through to program participants. She concluded that the Board has already authorized the issuance through the June 2015 Refunding Shelf Resolution. The Board will be notified at its meeting in June 2016 if the refunding issue proceeds.

Non-Governmental Underwriting Guidelines: Ms. Moore stated that VRA has written underwriting guidelines for most of its loan types. However, she explained that there are no guidelines for non-governmental entities. Staff, she said, has done a recent review of all of the non-governmental loans in VRA's programs and is determining whether there should be

guidelines for the non-governmental loans. One suggestion requires loans greater than \$150,000 to have a credit rating at the "AA" category or better; or acceptable bank standby letter of credit; or fully-collateralized with cash or U.S. Treasuries held in escrow. Water and sewer loans less than \$150,000 would require rate covenant certification and a cash-funded debt service reserve fund of at least the maximum annual debt service. Loans not meeting the guidelines will require PRMC and Board approval. Staff will continue its review of proposed guidelines and will discuss and receive guidance from agency partners. The Board will hear more about the guidelines at its September 2016 meeting.

2016A Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, stated that 14 new exposure local government applications were received with nearly \$170 million in requested proceeds, covering seven of VRA's authorized project areas. Some of the loans, he said, may not move forward for a number of reasons. Mr. D'Alema noted that 18 due diligence calls were completed and none of the applications require PRMC and Board approval. Mr. D'Alema shared the Active Applicant List, noting that it has a good mix of borrowers and security. He stated that there are six individual new exposure loan requests in excess of \$10 million. Mr. D'Alema continued that Chesterfield County is one of the largest borrowers in the pool with a loan request of \$22.6 million. Mr. D'Alema reviewed the credit ratings, security, and loan amount for each of the borrowers. He concluded with the Financing schedule, noting that bond pricing will occur on May 11, 2016, and the pre-closing and closing will occur on May 24 -25, 2016.

2016B Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, summarized the 2016B VPFP. He stated that VRA reached out to 30 localities regarding participation in the 2016B pool. Six localities have expressed interest in participating in the summer transaction for both new money and refunding needs. Mr. D'Alema shared the financing calendar, noting that bond pricing will be July 27, 2016 and the pre-closing and closing is scheduled for August 9-10, 2016.

Loan Monitoring & Compliance Annual Report: Ms. Stephanie Jones, Program Manager/Compliance Officer, provided a brief overview of the Loan Monitoring & Compliance Database (LMCD). She stated that overall VRA's portfolio, including all programs, is very strong with 71% of borrowers in the green category, 19% in the yellow category, 9% in the red category and 1% in the grey category, based on balances outstanding. The five-year trend has green increasing, yellow decreasing and red and grey remaining the same. The movement to green is attributable to general improvements to the economy. Ms. Jones identified two areas of risk in the portfolio, namely town borrowers and non-governmental borrowers. The town borrowers are 45% red. They are not getting stronger. The non-governmental borrowers are 70% red. Each represent only a small percentage of the total portfolio, with towns making up 7% of the balances outstanding and non-governmental borrowers making up less than 1% of the balances outstanding. In regard to borrower concentration, 19% of the number of borrowers hold over 80% of the debt outstanding across all VRA programs. Most of these borrowers are strong and are in the green category. Individually no borrower holds more than 6% of the overall portfolio's debt outstanding. Ms. Jones concluded that the VPFP and CWRLF have no material

obligors; VARF has one material obligor; and the PLBP had one material obligor in FY14 and six in FY15.

Ms. Moore thanked Ms. Jones for the bound copy of the Loan Monitoring & Compliance Database, and expressed appreciation to Ms. Jones for a job well done.

VFPF Update: Ms. Moore stated that staff continues to monitor Petersburg after its weak performance. Despite weak liquidity and poor budgeting in 2015 the City loans from VRA continue to perform. The City is making payments as agreed and payments are significant. She added that City management is taking steps to reduce current year expenditures and to collect delinquent taxes. Staff does anticipate that weak liquidity will persist but believes VRA loans to Petersburg are well secured.

Portfolio Risk Management (PRM) Reserve Methodology: Ms. Moore stated that VRA has a reserve methodology in place that is based on red, yellow and green statistics in the Loan Monitoring & Compliance Database. When a larger loan moves from one category to another, there is a lot of volatility in calculations. The PRMC, she said, tasked staff to determine if there is another way of creating consistency relative to calculations. Staff conducted research and introduced a methodology drawing from bond insurer credit criteria as a basis for determining what kind of reserve should be established. The PRMC reviewed the proposed methodology in great detail in terms of how the new methodology will affect past calculations and what the calculations will look like going forward. Ms. Moore stated that the PRMC was pleased with the proposed methodology and asked Mr. Peter D'Alema, Director of Program Management, and the staff to continue their review and to present recommendations to the Board in June or September 2016. She thanked staff for the good work.

Closed Session: Ms. Moore reported that the PRMC went into closed session to consider potential acquisition of property for public use. No decision was reached, and the Board will be kept apprised.

Old Business

Virginia Tobacco Region Revolving Loan Fund (VTRRLF): Mr. Shawn Crumlish, Director of Financial Services, stated that the 2015 Session of the General Assembly authorized the Virginia Tobacco Region Revitalization Commission (Commission) to establish a revolving loan fund to be managed by VRA. VRA has been working with the Commission to develop program guidelines and enter into a Memorandum of Agreement (MOA). The MOA has been executed.

The Commission has asked VRA to consider five applications for loans. Should VRA move forward with the loans, the Commission will transfer the amount of the loans into the VTRRLF staff is requesting Board approval of a resolution, similar to other resolutions VRA has approved with other revolving loan funds, authorizing the Executive Director to enter into a loan agreement.

Motion by Mr. Aulbach, seconded by Mr. Rust, to approve a resolution authorizing the Executive Director of the Virginia Resources Authority to enter into loan agreement under the Virginia Tobacco Region Revitalization Commission Act.

Motion carried.

Resolution is attached hereto and made a part herein.

New Business

2016 Infrastructure Financing Conference: Mr. O'Brien stated that December 14-16, 2016 has been suggested for the 2016 Infrastructure Financing Conference which will be held in Williamsburg.

Ms. Moore asked for the percentage of attendees from the western part of state that attend the conference and will the proposed location be a challenge for participants to attend. Ms. Hamlett responded that consideration has been given to the potential impact on attendees from the western part of Virginia but also noted the conference has been held in Roanoke twice. Staff believes that the Williamsburg location will draw more eastern attendance from rural areas such as the Eastern Shore and Northern Neck, while striking interest in some of the larger areas.

Mr. Spencer concurred and said he did not believe the Williamsburg location would necessarily be an obstacle in attendance for those from the western part of the State. He said he likes the idea of holding the conference in various locations throughout the Commonwealth.

The December 14-16, 2016 dates were accepted for the 2016 Infrastructure Financing Conference. The Board will be notified of the exact location of the conference in Williamsburg.

4th Annual Investors Conference: Mr. Ty Wellford, Davenport & Company, LLC, stated that the 4th Annual Investors Conference will be held in Williamsburg, April 6 – 7, 2016. VRA will be presenting. It is a good opportunity to have a cross section of issuers together, and there will be an effort to bring in as many bond investors as possible to hear from the issuers and to give issuers the opportunity to expand the buyer base. He stated that the conference is free and invited Board members to attend.

Recognition: Mr. O'Brien recognized Mr. Bradley Jones who is attending the meeting on behalf of Manju Ganeriwala, State Treasurer. Mr. O'Brien noted that Mr. Jones is a former employee of VRA. Mr. Jones thanked the Board for welcoming him back.

Conference Call: Mrs. Barbara McCarthy Donnellan stated that her vote should be recorded in the positive for everything discussed at the meeting.

Public Comment Period

There was no public comment.

Adjournment

Motion by Mr. Hasty, seconded by Mr. Branscome, to adjourn the meeting.

Motion carried.

The meeting adjourned at 9:31 a.m. The next meeting of the Board will be held on June 7, 2016.

Mr. William G. O'Brien, Chair

Stephanie L. Hamlett, Executive Director
Secretary to the Board