

VIRGINIA RESOURCES AUTHORITY
BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on March 25, 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
Barbara McCarthy Donnellan
Thomas L. Hasty, III
Dena Frith Moore

Members Absent

David Branscome
Manju Ganeriwala
John H. Rust, Jr.
Richard Weeks on behalf of David Paylor

Staff Present

Jean Bass, Director of Policy & Intergovernmental Relations, Interim Executive Director
Michael Cooper, Director of Administration
Shawn Crumlish, Director of Debt Management & Credit Analysis
Peter D'Alema, Director of Program Management
Jon McCubbin, Controller
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachael Logan, Administrative Manager

Others Present

Arthur Anderson, McGuireWoods LLP, Bond Counsel
Ty Wellford, Davenport & Company, LLC
Steve Pellei, Division Director, DWSRF & FCAP Programs, Virginia Department of Health
Howard Eckstein, Project Officer, Virginia Department of Health

Call to Order

The meeting was called to order by William G. O'Brien, Chair, at 9:00 a.m.

Approval of Agenda

Motion by Mr. Burdette, seconded by Mr. Hasty, that the agenda be approved. Motion carries unanimously.

Approval of Meeting Minutes

The Chair called for approval of the minutes for the Strategic Planning Committee and the Portfolio Risk Management Committee meetings held December 9, 2013; and the Personnel Committee and Board of Directors meetings held December 10, 2013.

There were no additions or corrections to the minutes.

Motion by Mr. Hasty, seconded by Ms. Moore, that the minutes for the Strategic Planning Committee and the Portfolio Risk Management Committee meetings held December 9, 2013; and the Personnel Committee and Board of Directors meetings held December 10, 2013 be approved.

Motion carries unanimously.

Executive Director's Report

Ms. Bass stated that the 2014 Legislative session that began in January was an uneventful session for VRA. However, VRA did track legislation impacting its state agency partners and local government borrowers. VRA monitored the joint resolution confirming the reappointment of Mrs. Barbara McCarthy Donnellan to the VRA Board. She concluded remarks regarding the 2014 legislative session by stating that VRA is still awaiting the passage of the State Budget that will show the level of funding for state agency partners' programs and services.

Ms. Bass continued that VRA had the opportunity to participate in Local Government Day at the General Assembly. She thanked Chairman O'Brien and Vice Chairman Spencer for their participation, noting that both had the opportunity to meet the new Secretary of Commerce and Trade, Mr. Maurice Jones. In addition, Secretary Jones visited VRA for a briefing regarding VRA programs and services. Staff conveyed that VRA is a good steward of the Commonwealth's Moral Obligation pledge. Ms. Bass thanked Board member Dena Moore for her participation in the briefing. She also thanked bond counsel Arthur Anderson and financial advisors James Traudt and Ty Wellford for their participation in the briefing session.

Ms. Bass explained that VRA's role in the sale of the Natural Bridge to the Virginia Conservation Legacy Fund, Inc., was handled purely as a Clean Water Revolving Loan Fund land conservation initiative. It is hoped, she said, that the Bridge will in the future become a part of Virginia's State Park System.

Continuing with highlights from the Executive Director's Report, Ms. Bass reported, the expansion of Route 460, a Virginia Transportation Infrastructure Bank (VTIB) project, has been suspended by the McAuliffe Administration.

Mr. Crumlish shared some additional remarks regarding Natural Bridge and Rt. 460 as requested by Ms. Bass.

Ms. Bass concluded that VRA will participate in the Second Annual Virginia Investor Conference on April 3, 2014 in Richmond and hosted by Davenport & Company. She extended an invitation to the Board to attend the Conference.

Mr. O'Brien commended Ms. Bass for the outstanding job she has been doing since the departure of the prior Executive Director, Suzanne Long. He stated that the Board certainly appreciates how she has been keeping the Board informed.

Committee Reports

Audit Committee

Ms. Dena Frith Moore, presented the Audit Committee report on behalf of Ms. Manju Ganeriwala, Chair. Ms. Moore stated that the Audit Committee Charter was the only item on the agenda for Monday, March 24, 2014. She continued that each Board member should have a red-lined copy of the Charter changes made in December 2013. Ms. Moore explained that the changes were made to better define the roles of external audit, internal audit, ARMICS, and Risk Management. However, an additional change was made to the document at the meeting that was not substantive but important in making all numerical items parallel.

Ms. Moore concluded that the Committee recommends that the Charter be approved as amended. She noted that Mr. Burdette was instrumental in the revision of the Charter and she thanked him for his input. In addition she commended Mr. Jon McCubbin, Controller, for his efforts in finalizing the Charter.

Motion by Mr. Spencer, seconded by Mr. Burdette, that the Audit Committee Charter be approved as presented.

Motion carries unanimously.

Strategic Planning Committee

Mr. James H. Spencer, III presented the Strategic Planning Committee report on behalf of Mr. John H. Rust, Jr., Chair. He stated that Mr. Greg Brittingham and Ms. Sarah Austin Jones, representatives of the Virginia Commonwealth University's Performance Management Group (VCU PMG), shared results from the surveys pertaining to the Strategic Plan. Surveys were sent to four stakeholder groups that included borrowers, non-borrowers, agency partners, and financial partners. Survey results were overwhelmingly positive with appreciation for the role that VRA serves in their communities. Those expressing comments on areas of improvement focused on communication with local governments.

Mr. Spencer continued that focus groups are currently being planned for borrowers and partners (both agency and financial) to discuss and offer further input relative to responses to specific questions on VRA processes including ease of application and fees. The first focus group is being held in Staunton on April 6, 2014 with the Virginia Water and Waste Authorities Association. Other focus groups will include a quarterly meeting of a Planning District Commission (PDC), the annual meeting of the Virginia Rural Water Association, and a Richmond area meeting with state and federal agency partners and financial partners.

Mr. Spencer concluded that after focus group data is compiled and one-on-one interviews completed, PMG will schedule meetings with staff and the Committee members.

Portfolio Risk Management Committee

2014A Virginia Pooled Financing Program (VPFP): Ms. Dena Frith Moore, Chair of the Portfolio Risk Management Committee (PRMC), asked Mr. Peter D'Alema, Director of Program Management, to provide an overview of the 2014A Virginia Pooled Financing Program (VPFP).

Mr. D'Alema stated that VRA received applications from 13 local governments for total requested proceeds of \$131.9 million. However, staff anticipates the actual pool consisting of eight local government borrowers and nine loans with a total par amount in the range of \$85 million to \$100 million. The loan requests cover six of VRA's authorized project areas. He explained that due diligence calls have been completed, only one application requires Board consideration based on discussions at the March 24, 2014 meeting of PRMC, and two existing borrowers are seeking to refund prior VPFP debt.

Mr. D'Alema shared the active participant list for the 2014A VPFP, noting the four largest applicants with total loan requests in excess of \$10 million. The largest borrower is the Frederick-Winchester Service Authority (FWSA) in the amount of \$45.6 million to finance improvements to the Opequon Wastewater Treatment Plant for CIP projects and energy efficiency improvements. Mr. D'Alema shared the FWSA operational cost savings to be achieved by completing the project, noting that the FWSA request for funding meets all of VRA's regional authority guidelines. In conclusion, Mr. D'Alema shared a chart showing the financial performance of the FWSA, and explained that the liquidity is strong, operating performance shows growth, and the debt service coverage is good.

Mr. D'Alema continued that Hanover County is the second largest borrower in the 2014A VPFP, and is requesting \$18.8 million to finance the first phase of a new courthouse facility to replace existing court buildings. He explained that the entire project cost is approximately \$44 million, and the County anticipates borrowing the remainder for the project in another VPFP financing. He continued that Hanover is seeking to issue the 2014A loan with a special fund revenue pledge. Due to the overall project exceeding \$25 million, VRA staff is seeking Board approval for the loan. Mr. D'Alema stated based on the County's solid financial performance, strong credit ratings, and adherence to the Special Fund Revenue Guidelines, VRA staff recommends approval of the Hanover County VPFP Series 2014A loan.

A motion was made by Ms. Moore and seconded by Mr. Hasty to approve the loan request by Hanover County for up to \$44 million from the Virginia Pooled Financing Program, Series 2014A.

Motion carried unanimously.

Ms. Moore explained that based on the discussion pertaining to the Hanover County loan, the PRMC is recommending to the Board a one sentence amendment to the Special Fund Revenue Guidelines.

Motion by Ms. Moore, seconded by Mr. Burdette, that the last sentence in the first paragraph of the Special Fund Revenue Guidelines be amended to read, “Any single loan request above \$25 million or *“any loan request, which when combined with an existing special fund revenue pledge exposure to any one local government borrower would exceed \$25 million, will require PRMC and VRA Board approval.”*”

Motion carried unanimously.

Mr. D’Alema concluded by sharing the VFPF Series 2014A financing schedule, stating that bond pricing will take place early May with the pre-closing and closing scheduled for May 20-21.

Buena Vista Public Service Authority Loan Request (BVPSA): Ms. Moore stated that City officials from Buena Vista, along with bond counsel and financial consultants, attended the PMRC meeting for discussion relative to the BVPSA request for \$9.25 million from the 2014A VFPF to refund existing non-VRA debt in hopes of realizing debt service savings over the next several years. She stated that they shared important and positive changes taking place in Buena Vista. However, the members of the PRMC were concerned with a default by Buena Vista on prior debt pertaining to a golf course. As a result of candid discussion, PRMC could not agree to include Buena Vista in the VFPF Series 2014A pool for fear that inclusion of the loan would damage other borrowers in the pool and the rating agencies’ view of VRA’s underwriting criteria. It was expressed to Buena Vista how much VRA appreciated and respected the work it is currently doing and that VRA is willing to work with them to develop a potential alternative solution for borrowing in the future. Ms. Moore concluded that Buena Vista appreciated the candidness of VRA.

Mr. Spencer commended the Committee for the tactful way in which the discussion took place. Ms. Moore commended Mr. Ty Wellford for his input.

Municipal Debt Issuance: Ms. Moore stated that the PRMC asked staff to determine if there is any way to forecast volume of refunding, noting that for several years refundings have been a meaningful portion of VRA’s volume. In addition, as rates go up the volume of refundings will go down. Mr. Ty Wellford, Davenport & Company, LLC, provided a brief presentation relative to potential future municipal refunding volume in Virginia and how VRA is poised to assist localities with this need through the VFPF. Ms. Moore stated that refunding volume may trend

down in the future if there is an increase in market interest rates, which is important information for VRA to consider in terms of staffing and future revenue. She commended Mr. Wellford and his team.

2014B Virginia Pooled Financing Program (VPFP): Mr. Peter D’Alema, Director of Program Management, in response to Ms. Moore stated that approximately five localities have expressed interest in the summer pool and that VRA will move forward if localities are willing to share costs regardless of the size of the pool. Ms. Moore stated that should VRA move forward with the pool, the deadline for applications will be May 2, 2014 and bond pricing is anticipated for July 29, 2014, with a pre-closing and closing on August 12 -13, 2014.

Town Underwriting: Ms. Moore stated that in response to the PRMC, staff has developed a protocol for underwriting town loan requests. This document lays out the procedures utilized by staff in underwriting towns and focuses on analyzing financial attributes that represent distinctions between towns and other local governments underwritten by VRA.

Loan Monitoring & Compliance Database Annual Report: Ms. Moore stated that Ms. Stephanie Jones, Fiscal Analyst/Compliance Officer, provided PRMC with a presentation of the FY2012 Loan Monitoring & Compliance Database, showing metrics on all of VRA’s borrowers. Ms. Jones highlighted several slides showing how many red, yellow and green borrowers are in each program, the top borrowers in the data base, and the reasons for the red designation for some borrowers. Ms. Jones provided information relative to towns and their place in the overall portfolio. Ms. Moore commended Ms. Jones.

Old Business

Mr. Arthur Anderson, McGuireWoods, Bond Counsel, provided an update on litigation pertaining to Mark Prince noting that a ruling in the matter was soon expected.

New Business

Mr. O’Brien stated that Mr. Richard Weeks who serves on behalf of David Paylor, Department of Environmental Quality, will be leaving the Board as a result of his upcoming retirement from state service. Mr. O’Brien commended Mr. Weeks for his hard work and dedication and wished him well in his future endeavors. Mr. O’Brien asked staff to prepare an appropriate resolution for the next meeting recognizing Mr. Weeks for services to VRA and the Commonwealth.

Mr. Peter D’Alema, Director of Program Management, directed the Board’s attention to several newspaper articles pertaining to underwriting discussions between VRA and its local government borrowers.

Mr. Burdette commended and thanked Mr. O’Brien and Mr. D’Alema for the insight provided at a recent Virginia Aviation Board meeting pertaining to financing.

Mr. O'Brien stated that he will be meeting on April 9, 2014, with Secretary Maurice Jones to discuss economic development issues in which VRA can be a participant across the Commonwealth. In addition, Mr. O'Brien indicated that he will discuss the subject of appointment of the VRA Executive Director by the Board of Directors in order to provide continuity.

Public Comment Period

There was no public comment.

Adjournment

Motion by Mrs. Donnellan, seconded by Mr. Hasty, that the meeting be adjourned.

Motion carries unanimously.

Meeting adjourned at 9:56 a.m.



William G. O'Brien, Chair
Board of Directors



Jean Bass, Interim Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY
AUDIT COMMITTEE
MINUTES OF THE REGULAR MEETING

The Audit Committee of the Virginia Resources Authority met on Monday, March 24, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia

Members Present

John Aulbach, II, P.E. for Dr. Marissa J. Levine
David Branscome
Dena Moore
James H. Spencer, III
Evelyn Whitley for Manju Ganeriwala
William O'Brien, Ex Officio

Members Absent

None

Staff Present

Jean Bass, Director of Policy & Intergovernmental Relations and Interim Executive Director
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 Present

Renee Munford, Business Manager, Drinking Water Program, Virginia Department of Health
Steve Pellei, Division Director, DWSRF and FCAP Programs, Virginia Department of Health

Call to Order

The meeting was called to order by Ms. Dena Frith Moore on behalf of Ms. Manju Ganeriwala, Chair, at 12:30 p.m.

Approval of Agenda

Motion by Mr. O'Brien, seconded by Mr. Branscome, that the agenda be approved as presented.

Motion carries unanimously.

Virginia Resources Authority Audit Committee Charter

Mr. Jon McCubbin, Controller, explained that at the Audit Committee meeting held in June 2013, staff was asked to review the Committee Charter and make recommended changes to define the roles of external audit, internal audit, ARMICS, and Risk Management. In addition staff was asked to remove items that were more procedural in nature and add them to the by-laws to reduce the frequency of updating the Charter. Mr. McCubbin stated between June and December 2013, staff reviewed the Government Finance Officers Association (“GFOA”) Best Practices and sample Audit Committee Charters from Deloitte LLP (“Deloitte”) and the Institute of Internal Auditors (“IIA”). As a result of its review, VRA staff noted that the current Audit Committee Charter is in line with the referenced sources. However, staff did recognize opportunities to strengthen the content and more clearly categorize the roles of the Committee to better align responsibilities over external audit, internal, ARMICs, and Risk Management. Mr. McCubbin indicated that additional changes to the Charter were suggested at the December meeting. He noted that the Committee has been provided a copy of the Charter incorporating the December changes, along with a memorandum highlighting all changes made between the revised Charter and the original Charter.

In response to Ms. Moore, the Committee indicated it was not necessary to review the changes. However, Ms. Whitley suggested that on Page 4 under Item D “Independent Auditor” that the lead in sentence in Item 11 began with, *The Audit Committee....* She further suggested that Item 12 read, When appropriate, the *Audit Committee will....*

Ms. Jean Bass, Interim Director, stated that while Mr. Burdette is not on the Audit Committee, he did review the recommended changes to the Charter and is in agreement. Ms. Moore added that Mr. Burdette was very instrumental in the process to revise the Charter.

Motion by Ms. Whitley, seconded by Mr. Aulbach, that the Audit Committee recommends to the Full Board approval of the Audit Committee Charter as presented.

The motion carried unanimously.

Old Business

There was no old business.

New Business

There was no new business.

Public Comment Period

There was no one from the public to be heard.

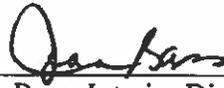
Audit Committee Meeting – Approved
March 24, 2014
Page 3 of 3

Adjournment

There being no further business to come before the Committee, the meeting adjourned at 12:40 p.m.



Dena Frith Moore,
on behalf of Manju Ganeriwala



Jean Bass, Interim 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 March 24, 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
William G. O'Brien, Ex Officio (Left at 4:45 p.m.)

Members Absent

Manju Ganeriwala
John H. Rust, Jr.

Other Members Present

John Aulbach on behalf of Dr. Marissa J. Levine (Left at 4:24 p.m.)
James H. Spencer, III (Left at 4:30 p.m.)

Staff

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

Others

Arthur Anderson, McGuireWoods LLP, Bond Counsel
Ty Wellford, Davenport & Company LLC
Steve Pellei, Division Director, DWSRF & FCAP Programs, Virginia Department of Health
Renee Munford, Business Manager, Drinking Water Program, Virginia Department of Health
Larry Tolly, Vice Mayor, Buena Vista, VA
Dr. Steven Baldrige, Council Member, Buena Vista, VA
Jay Scudder, City Manager, Buena Vista, VA
David Rose, Davenport & Company LLC
Kyle Laux, Davenport & Company LLC
Dan Siegel, Sands Anderson PC

Call to Order

The meeting was called to order by Ms. Dena Frith Moore, Chair, at 2:35 p.m.

Approval of Agenda

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

Motion carries unanimously.

2014A Virginia Pooled Financing Program (VPFP)

Mr. Peter D'Alema, Director of Program Management, stated that VRA received applications from 13 local governments for total requested proceeds of \$131.9 million, covering six of VRA's authorized project areas. He explained that due diligence calls have been completed, two applications require Committee and Board consideration, and two existing borrowers are seeking to refund prior VPFP debt.

Mr. D'Alema shared the active participant list for the 2014A VPFP and the four largest applicants with total loan requests in excess of \$10 million. The largest request is from the Frederick-Winchester Service Authority (FWSA) to finance improvements to the Opequon Wastewater Treatment Plant. Mr. D'Alema shared the FWSA operational cost savings to be achieved by completing the project, noting that the request for funding meets all of VRA's regional authority guidelines. In conclusion, Mr. D'Alema shared a chart showing the financial performance of the FWSA, and explained that the liquidity is strong, operating performance shows growth, and the debt service coverage meets the requirements of FWSA's local master indenture.

Mr. D'Alema continued that Hanover County is the second largest borrower requesting \$18.8 million to finance the first phase of a new courthouse facility to replace existing court buildings. He explained that the entire project cost is approximately \$44 million, and the County anticipates borrowing the remainder for the project in another VPFP financing. He continued that Hanover is seeking to issue the 2014A loan with a special fund revenue pledge. Due to the overall project exceeding \$25 million, staff is seeking Committee and Board approval. Mr. D'Alema stated based on the County's solid financial performance, strong credit ratings, and adherence to the Special Fund Revenue Guidelines, VRA staff recommends the approval of the Hanover County VPFP Series 2014A loan.

In response to Mr. Branscome, Mr. D'Alema explained that the entire project has been contracted. He stated that if the full \$44 million is not borrowed in the spring 2014A pool, a subsequent credit analysis will be completed.

Motion by Mr. Branscome, seconded by Mr. O'Brien, that the Portfolio Risk Management Committee recommend to the Full Board approval of a loan request by Hanover County of up to \$44 million from the Virginia Pooled Financing Program Series 2014A.

Motion carries unanimously.

Following discussion pertaining to the Hanover County loan, the PRMC is recommending to the Full Board a one sentence amendment to the Special Fund Revenue Guidelines.

Motion by Mr. O'Brien, seconded by Mr. Hasty, that the last sentence in the first paragraph of the Special Fund Revenue Guidelines be amended to read, Any single loan request above \$25 million or *“any loan request, which when combined with an existing special fund revenue pledge exposure to any one local government borrower would exceed \$25 million will require PRMC and Board approval.”*

Motion carries unanimously.

Mr. D'Alema concluded sharing the VFPF Series 2014A financing schedule and stating that bond pricing will take place early May with the pre-closing and closing scheduled for May 20-21.

Buena Vista Public Service Authority Loan Request (BVPSA)

Mr. Peter D'Alema, Director of Program Management, stated that the City of Buena Vista Public Service Authority is requesting \$9.25 million from the 2014A VFPF to refinance two existing non-VRA debt obligations. He stated that VRA staff is bringing the loan request to the Committee and Board for consideration due to a prior default by the City of Buena Vista to honor a moral obligation pledge on a non-VRA loan.

Mr. Kyle Laux, Davenport & Company LLC, introduced City officials, bond counsel and financial consultants for Buena Vista. Mr. Laux stated that Buena Vista would like to refinance existing water and sewer debt to take advantage of current low rates. He stated that the Public Service Authority (BVPSA) is a legal and separate body governed by the City Council and managed by city employees. The BVPSA is entirely self-sufficient and does not rely on the general fund. Mr. Laux stated that VRA is critical to the refinancing process because of the debt service savings that will be provided through the VFPF. Based on the financing agreement of the existing debt, VRA is one of the only avenues of refinancing. Mr. Laux provided extensive information pertaining to the City's successes, noting that the City is financially stable with solid projected debt service coverage and the lowest composite index in the state relative to state aid. Mr. Jay Scudder, City Manager, added that the City sees VRA as a partner helping them make decisions that create a solid footing in the future to operate the government and manage resources.

Ms. Moore stated that the Committee commends the City. However, she stated that the Committee and Board must consider how the refinancing will affect VRA's financing programs

and the opinions of the rating agencies. After further discussion, Mr. O'Brien stated that the Committee is very cognizant of the mission given to VRA by the General Assembly which is to provide avenues to localities for access to the financial market. As a result, VRA has the use of the moral obligation of the Commonwealth that must be protected and cannot, therefore, move forward with a Buena Vista loan without a General Obligation pledge.

There was discussion relative to Buena Vista going to referendum for approval of a General Obligation (G.O.) pledge. Mr. Scudder asked, "If Buena Vista got approval from the voters for a G.O. pledge, would that guarantee that Buena Vista could be in the VPPF?" Mr. O'Brien responded that, "No, I am not saying that. Even that may not be enough [to obtain credit approval for participation in the VPPF]."

Mr. D'Alema proceeded to share the financial performance of the BVPSA, noting that the liquidity has been strong, operating revenues are increasing, and debt service coverage has been greater than or equal to 1.0x in each of the past five audited fiscal years. He reviewed the BVPSA loan implications for VRA stating that inclusion of debt by a borrower with a past history of loan default could negatively impact VPPF pricing, specifically as a result of disclosures regarding Buena Vista's prior loan default that would need to be included in the related VPPF offering documents. Mr. D'Alema stated that a possible avenue for Buena Vista is a stand-alone bond issue outside of the VPPF.

There was discussion relative to a stand-alone bond including how rating agencies would perceive VRA's underwriting of a loan for a locality with a recent loan default. As a result, it was consensus of the Committee that the 2014A VPPF Spring Pool was not an option for the BVPSA refunding.

Buena Vista thanked the Committee for being honest and thoroughly reviewing the request. Representatives from the City expressed appreciation for VRA's time and willingness to work with Buena Vista and commended Mr. D'Alema for his assistance.

Municipal Debt Issuance

Mr. Ty Wellford, financial advisor with Davenport & Company LLC, provided historical information pertaining to municipal debt issuance in the country, highlighting the Commonwealth of Virginia. He stated that one of the key drivers in municipal market bond issuance over the past several years has been refunding volume, noting that refundings increase as market interest rates decrease. Mr. Wellford continued that VRA holds a significant market share of public municipal bond issuance in Virginia. He stated that the VPPF is an important source of VRA issuances as it offers localities market access at competitive rates for new construction projects and refunding of prior local government debt issues. Mr. Wellford provided the Virginia local government landscape, noting that eventually refundings will trend downward when market interest rates increase.

Ms. Moore stated that if interest rates increase, VRA can expect refundings to decline, which in the absence of significant new money volume may reduce demand for the VPPF along with the

staff time that must be dedicated to underwriting local government loans. As a result, Mr. Hasty stated that VRA's focus may shift from loan to more loan monitoring, based on the uptick in the number of loans and borrowers in recent years.

2014B Virginia Pooled Financing Program (VPFP)

Mr. Peter D'Alema, Director of Program Management, explained that staff is looking at the possibility of a summer VPFP transaction if there is sufficient local government borrower demand. He stated that interest rates continue to offer more refunding opportunities to localities and approximately five localities have expressed interest in the summer pool for both new money and refunding needs. Should VRA move forward with the summer transaction, the deadline for applications will be May 2, 2014 and bond pricing is anticipated for July 29, 2014, with a pre-closing and closing on August 12 -13, 2014.

Town Underwriting Follow-Up

Mr. Peter D'Alema, Director of Program Management, stated that in response to a request from PRMC, the staff has compiled information on pending town loans in the VPFP and Revolving Loan Funds (RLFs). The pending town loan data provides detail on the recommended loan security based on the credit profile of the town. Staff also developed a protocol for underwriting town loan requests at the request of PRMC. This document details the process that must be completed by VRA credit analysts when analyzing town loan requests. The protocol focuses on the review of specific town financial metrics that may indicate future weakness. Further, the protocol document requires VRA credit analysts to review town financial performance in the context of VRA town portfolio financial metric averages to determine a town's relative strengths and weaknesses when compared to other towns underwritten by VRA.

PRMC Chair, Ms. Moore asked if the town portfolio average data would quickly become irrelevant since it focused on fiscal year 2008 through 2012; however, Mr. D'Alema stated that the town portfolio average data will be updated as new audited financial information becomes available.

Mr. Branscome asked what impact potential legislation to limit the tax benefit of municipal bonds would have on VRA and its programs, and in response, Mr. D'Alema stated that if the tax benefit of municipal bonds is decreased or removed, borrowing costs for all VRA borrowers, including town borrowers, would likely increase as bond buyers would demand additional compensation in the form of higher bond yields.

Mr. D'Alema concluded with a chart showing pending town loan requests for VPFP and the RLFs as well as FY2013 Performance Metrics for towns.

Loan Monitoring & Compliance Database Annual Report

Ms. Stephanie Jones, Fiscal Analyst/Compliance Officer, stated that the FY2012 Loan Monitoring & Compliance Database Annual Report serves as a guide to understanding VRA's

portfolio, showing metrics on all of VRA's borrowers. She highlighted the report showing how many red, yellow and green borrowers are in each program, the top borrowers of the overall VRA portfolio, and the issues associated with the red borrowers. Ms. Jones referenced the improvements in risk ratings of the Drinking Water program borrowers.

Ms. Jones provided information relative to towns and their place and effect in the overall VRA portfolio. Ms. Jones explained the reasons for why Towns are more risky than the other locality types, citing reasons such as smaller tax bases/less revenue generating capacity, lack of state aid since most Towns do not operate school districts, and greater sensitivity to economic events due to less diversified budgets, events such as a jail closure, lack of expected residential development, and decreases in coal road severance taxes. While Towns are 43% red by dollar volume, all Town borrowers only make up 7% of the overall portfolio dollar volume. Ms. Moore commented that despite their riskiness, loans to the Towns advance and serve VRA's mission. Ms. Jones concurred.

Ms. Jones briefly addressed borrower concentration by stating that while the six (6) top borrowers aggregately make up 25% of the combined VRA portfolio, the single top borrower makes up less than 7%. For example, by comparison, the Master Indenture defines a material obligor, or locality, for the VPPF at 15% of portfolio volume. So, no single borrower is overly concentrated.

Ms. Moore commended Ms. Jones on the report.

New Business

There was no new business.

Old Business

There was no old business.

Public Comment Period

There was no public comment.

Adjournment

There being no further business to come before the Committee, the meeting adjourned at 4:48 p.m.



Dena Frith Moore, Chair



Jean Bass, Interim 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 March 24, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia

Members Present

David Branscome
Randall Burdette
Dena Frith Moore
James H. Spencer, III
William G. O'Brien, Ex Officio

Members Absent

John H. Rust, Jr., Chair

Other Members Present

John Aulbach, II, P.E.

Staff

Jean Bass, Director of Policy & Intergovernmental Relations/Interim Executive Director
Michael Cooper, Director of Administration
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachel Logan, Administrative Manager

Others

Renee Munford, Business Manager, Drinking Water Program, Virginia Department of Health
Steve Pelli, Division Director, DWSRF &FCAP Programs, Virginia Department of Health
Greg Brittingham, Virginia Commonwealth University Performance Management Group
Sarah Austin Jones, Virginia Commonwealth University Performance Management Group

Call to Order

The meeting was called to order by Mr. James H. Spencer, III, on behalf of Mr. John H. Rust, Jr., Chair, at 1:30 p.m.

Approval of Agenda

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

Strategic Plan - Survey Results

Mr. Greg Brittingham, Virginia Commonwealth University Performance Management Group (PMG) introduced Ms. Sarah Austin Jones, a partner on the Strategic Plan project.

Mr. Brittingham continued that the report on the strategic plan survey is delightful with overwhelmingly positive ratings and comments expressing appreciation for the role that VRA serves in their communities. Those expressing areas of improvement focused on the Authority's communications. He explained that four interest groups were surveyed; and included current borrowers, potential borrowers, agency partners, and financial partners. The response rates were relatively high. However, the lowest participation rate of 30% was from non-customers; organizational partners had the highest rate of response with 59%, but it should be noted that this group had the lowest number of potential participants. The overall response rate across the four groups was 43%.

Mr. Brittingham highlighted the compiled and documented rating scale results and comments provided in response to open ended questions for all four categories. He noted that a content analysis methodology was used to categorize each specific comment and identify key messages and themes. He referenced the actual survey instruments included in the information provided to the Committee.

During the presentation on non-borrowers, Ms. Bass responded to Mr. Spencer's inquiry relating to VRA's contact with public safety organizations representing localities, stating that VRA has established relationships with the Virginia Association of Sheriffs, Virginia Association of Fire Chiefs, Virginia Association of Police Chiefs, and that contacts are maintained with organizations that support regional jail facilities. In addition, VRA has a very visible presence at conferences such as the Virginia Municipal League (VML), Virginia Association of Counties (VACO), wastewater, rural water, planning district associations and all aviation. Even though VRA has not had success in its desire to participate through presentations at the VML and VaCO conferences VRA staff does exhibit at these events and these exhibits provide the opportunity to respond to questions of local government representatives and to also promote VRA services to conference attendees. Stronger affiliations, she noted, exist with the Virginia Local Managers Association and the Virginia Government Finance Officers Association whose members include appointed persons responsible for managing and providing guidance on matters relating to debt. Ms. Bass concluded that VRA is engaged in tourism and transportation initiatives and so has ties to organizations and groups promoting these activities and with the Virginia Economic Development Association whose members promote local economic development initiatives. It was concluded that VRA's visibility and association with various associations can be explored further in the upcoming focus groups.

There was further discussion relating to referrals to VRA, workshops and conferences, and email outreach.

Strategic Plan - Focus Groups

Ms. Bass stated that the focus groups will concentrate on specific questions on the survey pertaining to processes including ease of application and fees, along with discussions about experiences with VRA and thoughts on how to improve VRA services. The first focus group scheduled for April 6, 2014, in Staunton, Virginia, at the Virginia Water and Waste Authorities Association conference. Other focus groups to be scheduled will include a quarterly meeting of the Southside Planning District Commission, the annual meeting of the Virginia Rural Water Association, and a Richmond area meeting with state and federal agency partners and financial partners. Ms. Bass stated that VRA will be present at the focus groups but will not participate in discussions.

Mr. O'Brien stated that based on the survey, VRA is achieving its mission; however, there is an opportunity for improvement. Mr. Spencer added that communications will be an on-going issue due to the frequent turnover in top local administrators which requires a learning curve.

In response to Ms. Moore, Mr. Brittingham stated that the focus groups should conclude in early May. Ms. Moore suggested that the focus groups be taken step by step through loan processing to determine points of friction, noting that consistent points of friction will indicate where staff needs to focus on the process.

Ms. Bass suggested that the staff is reviewing the possibility of convening a focus group to address the participation of localities with high credit ratings in VRA's pool. She stated that the staff would review benefits like reduction in annual fees that may attract higher rated communities to VRA's pool program.

Strategic Plan - Next Steps

Mr. Brittingham stated that once the focus group data is compiled and one-on-one interviews completed, PMG will schedule meetings with staff and the Committee.

In response to Ms. Moore, Mr. Brittingham stated that the process is slightly off schedule, but he is confident it will be back on schedule within a reasonable timeframe.

Old Business

There was no old business.

New Business

There was no new business.

Public Comment Period

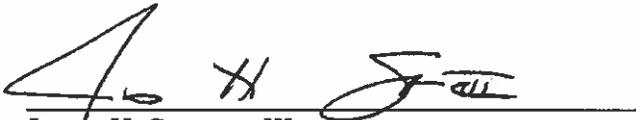
There was no one from the public to be heard.

Adjournment

Prior to adjournment, Mr. Spencer stated that he is pleased that VRA is going through a strategic planning process and delighted to be a participant. Ms. Moore thanked staff for the work they do which contributed to such positive feedback from constituents.

Mr. O'Brien stated that he is meeting with the Secretary of Commerce and Trade on April 9, and will take a synopsis of the responses to him so that he can see just how VRA is perceived.

There being no further business to come before the Committee, the meeting adjourned at 2:16 p.m.



James H. Spencer, III
on behalf of John H. Rust, Jr., Chair



Jean Bass, Interim Director
Secretary to the Board