

VIRGINIA RESOURCES AUTHORITY
BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on Wednesday, December 10, 2014, in the Shenandoah Room, Hotel Roanoke, Roanoke, Virginia.

Members Present

William G. O'Brien, Chair
James H. Spencer, III, Vice Chair
Randall P Burdette
Manju Ganeriwala
Dena Frith Moore
Thomas L. Hasty, III
Steve Pellei on behalf of John J. Aulbach II, P.E.
John H. Rust, Jr.
Valerie Thomson on behalf of David K. Paylor

Members Absent

David Branscome
Barbara McCarthy Donnelan

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
George Panos, Deputy Controller
Kimberly Adams, Program Manager
Emmanuel Oyaghiro, Senior Financial Analyst
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachael Logan, Administrative Manager

Others Present

Arthur Anderson, McGuire Woods, Bond Counsel
Ty Wellford, Davenport & Company LLC
Ron Tillett, Raymond James

Call to Order

Mr. William G. O'Brien, Chair, called the meeting to order at 9:30 a.m.

Approval of Agenda

There were no additions or deletions to the agenda.

Motion by Ms. Moore, seconded by Ms. Ganeriwala, to approve the agenda as submitted.

The motion carried.

Approval of Meeting Minutes

The Chair called for approval of the minutes of the Audit Committee, Portfolio Risk Management Committee, Municipal Continuing Disclosure Cooperation (MCDC) Subcommittee and Strategic Planning Committee held September 8, 2014; Board of Directors, held September 9, 2014, and the MCDC Subcommittee held November 6, 2014.

Prior to calling for a motion, Mr. O'Brien stated that the MCDC Subcommittee meeting held on September 8, 2014, shows an error and reflects Mr. Rust as being present twice. Ms. Moore noted she had also identified errors and had forwarded corrections to staff.

There were no further corrections to the minutes.

Motion by Mr. Burdette, seconded by Ms. Moore, that minutes of the Audit Committee, Portfolio Risk Management Committee, MCDC Subcommittee and Strategic Planning Committee held September 8, 2014; Board of Directors, held September 9, 2014, and the MCDC Subcommittee held November 6, 2014 be approved with corrections.

The motion carried.

Executive Director's Report

Ms. Stephanie L. Hamlett, Executive Director, thanked the Board for relocating its meeting to Roanoke and for supporting the Governor's Infrastructure Financing Conference. Ms. Hamlett noted that the Executive Director's Report was earlier forwarded to the Board for review. Ms. Hamlett stated she has been asked to provide advisory assistance to Commerce and Trade to develop a revolving loan fund for certain of the Administration's proposed initiatives. Ms. Hamlett described VRA's own legislative initiative which, she said, makes clear VRA's ability to finance economic development projects, including tourism, if the locality offers its credit.

Ms. Hamlett asked Mr. Michael Cooper, Director of Administration, to update the Board on ongoing renovations in VRA offices which include a new Board Room. Mr. Cooper shared pictures of the Board Room noting that the space will be available for occupancy for the Board's March meetings. The renovations, he said, have been going very well and he thanked staff members for their indulgence and patience while renovations were performed. Ms. Hamlett complimented Mr. Cooper for his leadership in overseeing the renovations.

Committee Reports

Portfolio Risk Management (PRMC):

Ms. Dena Frith Moore, Chair of the PRMC, stated that no action items were considered at the meeting on Tuesday, December 9, 2014 and she asked Mr. Peter D'Alema, Director of Program Management, to provide an overview of the meeting.

2014C Virginia Pooled Financing Program (VPFP): Mr. D'Alema provided a summary of the Fall Pool transaction which was priced on November 5, 2014 and closed on November 19, 2014. He recognized Mr. Ron Tillett from Raymond James, Ty Wellford and Jamie Traudt from Davenport & Company, and Arthur Anderson from McGuire Woods, all partners who contributed to the success of the transaction.

Mr. D'Alema stated that VRA sold \$155.235 million in bonds which funded 20 loans for 14 local government borrowers. These loans financed or refinanced projects in six of VRA's authorized project areas. He noted that Davenport and Company navigated VRA through the sale which provided great pricing results for the borrowers despite challenges in the market. Mr. D'Alema thanked Mr. Ron Tillett for placing the bonds. The True Interest Cost (TIC) was 2.96% and the All-In TIC was 3.17%. VRA ratings were confirmed with Aaa/AAA on senior infrastructure revenue bonds and Aa2/AA on subordinate revenue bonds by Moody's and Standard and Poor's, respectively. Raymond James managed the senior tax-exempt bonds as well as all of the AMT bonds. The subordinate tax-exempt bonds were bid competitively and Bank of America and Merrill Lynch won those bonds. Mr. D'Alema continued that the sale was largely refunding in nature, he noted a total refunded par amount of \$134.7 million with total net present value savings exceeding \$10.6 million. He highlighted the borrower list which provided details on each loan including what was financed, the amount of the loan and the security offered, which included a mix of revenue, lease revenue, and general obligation pledges. Mr. D'Alema continued with an overview of the VPFP portfolio following the issuance of the 2014C bonds and reviewed the top ten borrower list which, he noted, comprises 37% of the overall portfolio.

Mr. Ron Tillett, Managing Director of Public Finance for Raymond James, expressed the appreciation of members of the underwriting syndicate. Mr. Tillett thanked VRA for the opportunity to serve as senior manager on the transaction. He said couponing structures and other types of techniques were developed that allowed underwriters to place the bonds with tier two and three investors. He stated that 22% of the transaction was placed with middle market investors. Mr. Tillett continued that the couponing structure was developed to try and maximize savings to participants in the transaction. Raymond James, he said, underwrote about 12% of the transaction.

2014D Virginia Pooled Financing Program (VPFP): Mr. D'Alema stated that the 2014D VPFP is a single borrower issuance for New Kent County to refund an EDA Series 2006 bond originally issued for construction of a high school and other projects. VRA agreed to the stand alone transaction because New Kent was willing to cover the costs of issuance. New Kent County's credit was very strong in the context of VRA Tax Supported Guidelines resulting in

loan approval by VRA's credit committee. The collateral associated with the loan is the County's high school. Mr. D'Alema concluded stating that \$40.3 million in bonds sold competitively on December 3, 2014. The bonds were issued on a competitive basis because of timing constraints. Robert W. Baird and Company won the bid on the senior bonds and Raymond James underwrote the subordinate bonds. The All-In True Interest Cost was 2.6%. The Net Present Value savings is \$2.76 million, representing 6.68% of refunded par of series 2006 bonds.

In response to Mr. O'Brien, Mr. D'Alema explained that according to VRA guidelines, debt to expenditure becomes a fiscal stress for a locality when it exceeds 15%.

2014 Clean Water Transaction: Mr. Shawn Crumlish, Director of Debt Management, stated that the Clean Water Transaction was detailed at the September 2014 meeting of the Board. The purpose of the transaction was to provide state match for the Federal Capitalization Grant. He stated that VRA competitively sold \$5.73 million in Clean Water State Match bonds on September 17, 2014 and closed on September 30, 2014. All of the direct loan interest collected between March 1, 2014 and March 1, 2015 will be used to make payments on the loan. In addition, a separate series was sold to refund the remaining callable 2007 maturities and all of the call for maturities from the 2008 Clean Water series. Mr. Crumlish complimented Davenport and Company and McGuire Woods for great results and a very smooth transaction. There was \$16 million in gross savings and with the consent of the Department of Environmental Quality the savings will be passed through to the borrowers of the 2007 and 2008 Clean Water Bonds. The 2007 bonds have a current interest rate of 2.77%. Mr. Crumlish stated that staff is in the process of amending all of the financing agreements and the borrowers will receive a 2.52% interest rate. The borrowers with the 2008 loans will move from 3.55% to 2.72% interest rate. The goal is to have the new interest rates set before the next loan payment date of March 1, 2015.

Loan Monitoring and Compliance: Mr. Shawn Crumlish, Director of Debt Management, stated that there were several borrowers who moved from the red to the yellow category.

Buena Vista: Executive Director Hamlett advised the Board of the visit to VRA by representatives from the City of Buena Vista. She reminded the Board of the City's earlier visit where representatives of the City approached VRA with an interest in borrowing and a promise that the City Council would not default on its golf course loan. The VRA Board, at that time, declined the City's request for financing. At its recent visit, representatives of Buena Vista noted that the Council has decided again not to pay the golf course debt and will attempt to settle the \$10 million loan with the bond insurer.

Post Bond Sale Update: Mr. Ty Wellford, Davenport & Company, LLC, provided a recap of the year on the financial market and the VRA transactions that sold. There were five different sales including four pool sales and one clean water sale. In summary, Mr. Wellford stated that tax-exempt borrowing rates ended the year near historic lows. VRA successfully issued \$610 million of bonds through the calendar year across 5 separate financing all with a True Interest Cost below 3.5%. VRA financed \$143 million of new money projects for 14 borrowers, and refinanced existing debt for 53 borrowers which produced \$56 million of aggregate debt service

savings. Lastly, existing credit ratings for the Pool, Clean Water and Airport programs were maintained. Mr. Wellford complimented staff.

Strategic Planning Committee: Mr. John H. Rust, Jr., Chair of the Strategic Planning Committee, stated that the Committee met in June 2014 and developed goals for the Strategic Plan. Afterwards, the consultant met with staff to receive input. The Committee met again in September 2014 leaving with the understanding that the consultant would be prepared to present milestones, benchmarks and performance measures for the Plan at the December meeting. The consultant fell short of meeting this deadline. Therefore, it is necessary for the Committee to meet one more time in order to have a draft Strategic Plan by March 2015 for Board approval.

Ms. Hamlett stated that it may be necessary to replace the individual consultant due to setbacks that have occurred during the course of development of the Strategic Plan. Mr. Burdette offered his assistance in reaching out to the Performance Management Group, consultant for the strategic planning initiative.

Municipal Continuing Disclosure Cooperation: Mr. John H. Rust, Jr. stated that a Continuing Disclosure Policy as required by the Securities and Exchange Commission's Municipal Continuing Disclosure Cooperation Initiative for reporting will be presented to the Board at a future meeting for approval.

Old Business

There was no old business.

New Business

Mr. Randall Burdette complimented Mr. Peter D'Alema, Director of Program Management, for his support to the Aviation Board relative to the request by Virginia Tech for a loan request from the Airport Revolving Fund. Consequently, after discussions on security for the loan, the matter was tabled by the Aviation Board until the February 2015 meeting.

Public Comment Period

There was no public comment.

Adjournment

Motion by Mr. Burdette, seconded by Mr. Spencer, to adjourn.

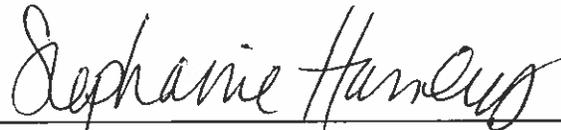
The motion carried, and the meeting adjourned at 10:04 a.m.

The next meeting of the Board will be held on Tuesday, March 3, 2015.

Chairman O'Brien wished everyone a Merry Christmas and Happy New Year.



William G. O'Brien, Chair
Board of Directors



Stephanie L. 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 Tuesday, December 9, 2014, in the Shenandoah Room, Hotel Roanoke, Roanoke, Virginia.

Committee Members Present

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

Committee Members Absent

David Branscome

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 & Credit Analysis
Peter D'Alema, Director of Program Management
Jon McCubbin, Controller
Kimberly Adams, Program Manager
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachael Logan, Administrative Manager

Others

Ty Wellford, Davenport & Company LLC

Call to Order

The meeting was called to order by Ms. Dena Frith Moore, Chair, at 3:38 p.m.

Approval of Agenda

There were no amendments to the agenda.

Motion by Ms. Ganeriwala, seconded by Mr. Hasty, that the agenda be approved as presented.

The motion carried.

Portfolio Risk Management (PRMC) Update

Prior to the PRMC update, Ms. Stephanie L. Hamlett, Executive Director, informed the Committee that representatives from the City of Buena Vista visited with VRA to inform the VRA staff of its decision to default on its \$10 million golf course loan and its plan to offer a settlement of approximately \$1.8 million on the debt. There was discussion by Committee members regarding possible next steps for Buena Vista and its ability to issue General Obligation debt, the role of the insurance company in settling the debt, and the possible impact on Virginia's municipal issuers, if any.

2014C Virginia Pooled Financing Program (VPFP)

Mr. Peter D'Alema, Director of Program Management, stated that overall the 2014C VPFP went very well and VRA sold \$155,235 million in bonds on November 5, 2014. The bonds funded 20 loans on behalf of 14 local government borrowers and financed or refinanced projects in six of VRA's authorized project areas. Davenport and Company assisted VRA through the negotiated and competitive sales that resulted in a strong pricing for the borrowers despite a challenging market. The True Interest Cost (TIC) of the VPFP Series 2014C bonds was 2.96% and the All-In TIC was 3.17%. VRA's Aaa/AAA ratings on senior infrastructure revenue bonds and Aa2/AA ratings on subordinate revenue bonds were confirmed by Moody's and S&P, respectively. Mr. D'Alema continued that the sale was largely refunding in nature, noting a total refunded par amount of \$134.7 million with total net present value savings exceeding \$10.6 million. He highlighted the borrower list that provided details on each loan relative to what was financed, the amount, and the security offered.

Mr. D'Alema continued that at the September meeting, there was extensive discussion of two loans, but neither moved forward in the 2014C pool as originally anticipated. He explained that there was a special exception to VRA's Revenue Underwriting Guidelines for the Bedford Regional Water Authority (BRWA) project for a water treatment plant and water lines; however, the application was withdrawn due to ongoing negotiations with the design-build firm. BRWA is expected to apply for long-term funding in a future VPFP pool and continues to fund the design and engineering costs associated with the project with a bond anticipation note. He proceeded to explain that the City of Petersburg decided to withdraw its new City Hall project from the VPFP 2014C loan request, noting that while the total loan request was approved by VRA, the final par amount of the loan was \$5.44 million to fund miscellaneous Petersburg capital improvement projects.

Mr. D'Alema summarized the VPFP Portfolio after the issuance of the 2014C bonds explaining that the top 10 borrowers represent 37% of the overall VPFP portfolio. The largest locality borrower is just under 7% of the overall VPFP portfolio.

2014D Virginia Pooled Financing Program (VPFP)

Mr. Peter D'Alema, Director of Program Management, stated that in November 2014, New Kent County submitted a VPFP application requesting up to \$46.25 million in proceeds to refund an EDA Series 2006 bond issue. The 2006 bond issue financed the construction of a new high school, a sheriff's complex, the renovation of an existing elementary school, and the renovation of a courthouse. The New Kent County High School served as collateral on the 2006 loan, and the refunding loan request meets all of the VRA Lease Revenue Underwriting Guidelines. He shared the credit overview, noting that New Kent's financial performance falls within the 'adequate' and 'strong' ranges under VRA's Tax Supported Underwriting Guidelines. Mr. D'Alema concluded stating that \$40.3 million in bonds were sold competitively on December 3, 2014. The All-In True Interest Cost was 2.6%. The Net Present Value savings totaled \$2.76 million, and the refunding generated 6.68% net present value savings as a percentage of the refunded par of Series 2006 New Kent loan. The refunding will generate annual debt service savings of approximately \$240,000 for New Kent County over the remaining life of the loan. Pre-closing and closing will be held on December 16, 2014 and December 17, 2014, respectively.

In response to the Committee, Mr. D'Alema explained that New Kent's loan was structured as a lease revenue financing, and the County used its high school as collateral which provided a sufficient collateral value to loan ratio as required under VRA's Lease Revenue Underwriting Guidelines.

2014 Clean Water Transaction

Mr. Shawn Crumlish, Director of Debt Management & Credit Analysis, stated that the Clean Water Transaction was presented at the September Board meeting. The purpose of the transaction is to provide state match for the Federal Capitalization Grant. He stated that VRA competitively sold \$5.73 million in Clean Water State Match bonds on September 17, 2014 and closed on September 30, 2014. The 0.09% True Interest Cost is reflective of this short six month bond. All of the direct loan interest collected from between March 1, 2014 and March 1, 2015 will be used to make payments on the loan.

In addition, a separate series was sold to refund the remaining callable 2007 maturities and all of the callable maturities from the 2008 Clean Water series. Mr. Crumlish complimented Davenport and Company and McGuire Woods for great results and a very smooth transaction. Gross savings of \$16 million was essentially passed through to the borrowers of the 2007 and 2008 Clean Water Bonds. The 2007 bonds have a current interest rate of 2.77%. However, Mr. Crumlish stated that staff is in the process of amending all of the financing agreements and the borrowers will receive a 2.52% interest rate. The borrowers with the 2008 loans will move from 3.55% to 2.72% interest rate.

Mr. Crumlish concluded that there is a compliance report included in the information provided to the Committee highlighting some of the borrowers that moved from the red to the yellow

category. In response to the Committee, Ms. Stephanie Jones, Fiscal Analyst/Compliance Officer, stated that there has been no new movement in other categories since the last report to the Committee.

Post Bond Sale Update

Mr. Ty Wellford, Davenport & Company, LLC, provided a year end recap on the market and the transactions that sold. There were five different sales including four pool sales and one clean water sale. In summary, Mr. Wellford stated that tax-exempt borrowing rates ended the year near historic lows. VRA successfully issued \$610 million of bonds through the calendar year across 5 separate financing all with a True Interest cost below 3.5%. VRA financed \$143 million of new money projects for 14 borrowers, and refinanced existing debt for 53 borrowers which produced \$56 million of aggregate debt service savings. Lastly, existing credit ratings for the Pool, Clean Water and Airport programs were maintained.

Old Business

Natural Bridge: In response to the Committee, Executive Director Hamlett and Mr. Crumlish explained that Natural Bridge is presently current with its payments on its loan. Staff maintains contact on a regularly basis to ensure that obligations will be met on a timely basis.

Town of Marion: The Executive Director explained that the Town in 2005-2006 entered into an informal agreement with VRA's Trustee to make monthly payments on a loan. The Trustee was invoicing the incorrect amount which resulted in insufficient funds for the October 1, 2014 payment; however, the Town of Marion promptly revised its budget to ensure that funds were available on time to make the necessary payment. Ms. Hamlett stated that the Chair of PRMC and the Chair of the Board were alerted to the dilemma just in case it became necessary for VRA to draw on the Portfolio Risk Management Reserve to cover the loan payment. VRA communicated the situation to the rating agencies and VRA provided notification when the payment was received.

Mr. D'Alema stated that a schedule of monthly payments through final maturity was provided to the Trustee in hopes of avoiding the situation again in the future. He concluded that there is one additional borrower with the same arrangement with the Trustee as the Town of Marion and the Trustee was provided a monthly schedule of payments through final maturity for this borrower as well.

New Business

There was no new business.

Public Comment Period

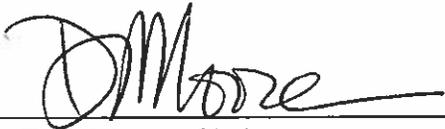
There was no public comment.

Adjournment

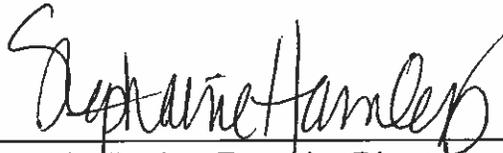
Motion by Mr. O'Brien, seconded by Ms. Ganeriwala, to adjourn the meeting.

Motion carried, and the meeting adjourned at 4:20 p.m.

The next meeting of the Portfolio Risk Management Committee will be held on March 2, 2015.



Dena Frith Moore, Chair



Stephanie Hamlett, Executive Director
Secretary to the Board