Virginia Resources Authority
Budget and Investment Committee Meeting
Minutes of the Meeting
Held December 13, 2021

The Budget and Investment Committee of the Board of Directors of the Virginia Resources Authority (VRA) met on Monday, December 13, 2021, in the O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Committee members were present and acting during the meeting: Mr. Cecil "Rhu" Harris, Committee Chair, Ms. Cynthia Bailey, Ms. Mary Bunting, Ms. Barbara Donnellan, and State Treasurer Manju Ganeriwala. Board Chairman Thomas Hasty was absent.

VRA staff participants included: Ms. Stephanie L. Hamlett, Mr. Joe Bergeron, Mr. Shawn Crumlish, Mr. Peter D'Alema, Mr. Curtis Doughtie, and Ms. Stephanie Jones. Mr. Nelson Bush, PFM Asset Management, Mr. David Calvert, PFM Asset Management, Mr. John Ockerman, Virginia Department of the Treasury, and Mr. Ty Wellford, Davenport & Company LLC, were also present.

Call to Order

Chair Harris called the meeting to order at 12:00 p.m.

Approval of Agenda

Ms. Bunting made a motion to approve the agenda as presented. Ms. Donnellan seconded. The motion carried.

LGIP and LGIP EM Presentation

Chair Harris asked Mr. Joe Bergeron, VRA Senior Finance and Investment Officer, to introduce the first speaker. After Mr. Bergeron introduced Mr. John Ockerman of the Virginia Department of the Treasury, Chair Harris turned the meeting over to Mr. Ockerman for a presentation. Mr. Ockerman gave the Committee an overview of the Local Government Investment Pool (LGIP) and Local Government Investment Pool Extended Maturity (LGIP EM) programs. He shared information on the fees charged in the programs, performance, and investment benchmarks. Chair Harris asked whether the benchmark for the LGIP EM is still the right one to use given the benchmark represents only a single U.S. treasury security. Mr. Ockerman responded that there is not a great universe of benchmarks in the less than one-year timeframe. Mr. Wellford asked if, in a more normal interest rate environment, it was more likely for the LGIP EM portfolio to outperform the benchmark. Mr. Ockerman agreed that it could, noting the currently constrained credit spreads would typically provide greater yield enhancements in a more traditional interest rate environment.

Investment Advisor Presentation

Chair Harris then asked Mr. Bergeron to introduce the next speakers. Mr. Bergeron introduced Mr. Nelson Bush and Mr. David Calvert with PFM Asset Management and turned the meeting over to them for a presentation. Mr. Bush and Mr. Calvert provided an overview of VRA's engagement with PFM Asset Management as Investment Advisor. The gentlemen acknowledged the recent formal acquisition of PFM Asset Management by a division of US Bank, but stated that PFM continues to be a separate and independent asset management operation. Mr. Bush stated that VRA selected PFM Asset Management in July 2012 through a competitive process. Over the engagement period, VRA has entrusted PFM with additional funds to manage, growing from $55 million to $287 million.

Mr. Bush continued by providing performance information. Chair Harris asked if the Committee could see information on returns net of fees. Mr. Bush replied that the industry's regulators require that they show gross returns to clients, but the regulators do not prevent them from showing net information. Mr. Bush said they are happy to show both ways and will do so in the future.

Mr. Wellford asked about their purchase of Asset-Backed Securities. Mr. Bush said that they only buy Asset-Backed Securities if the securities are transparent and that PFM conducts due diligence on them before purchase.

Mr. Bergeron asked about tactically deviating from the benchmark duration at certain times to enhance returns. Mr. Calvert replied that VRA will see some negative returns for this quarter because rates have already taken off. Mr. Bush said they try to manage consistently with the benchmark and that VRA could talk to a portfolio manager if it is interested in deviating from the benchmark.

Future Committee Meeting Timing

Chair Harris then called on Mr. Bergeron to address the future Committee meeting schedule. Mr. Bergeron stated there is the potential for revisions to the Investment Policy. Depending on logistics, potential revisions would be brought to the Committee either next March or June. Subsequently, it is planned, for the time being, that the Committee would hear from external advisors semi-annually during the June and December quarterly meetings.

Old Business

Chair Harris asked if there was any old business to come before the Committee. There was none.

New Business

Chair Harris asked if there was any new business to come before the Committee. There was none.

Public Comment Period

Chair Harris asked if there were any comments from the public. There were none.

Adjournment

Treasurer Ganeriwala made a motion to adjourn the meeting and Ms. Bunting seconded. Chair Harris adjourned the meeting at 12:52 p.m.

Stephanie L. Hamlett, Executive Director
Board Secretary

APPROVED:

Mr. Cecil R. Harris, Jr., Chair

Virginia Resources Authority
Personnel Committee Meeting
Minutes of the Meeting
Held December 13, 2021

The Personnel Committee of the Board of Directors of the Virginia Resources Authority (VRA) met on Monday, December 13, 2021, in the O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Committee members were present and acting during the meeting: Ms. Cynthia Bailey, Committee Chair, Ms. Barbara Donnellan, Mr. Cecil "Rhu" Harris, Mr. Bill Kittrell, and Ms. Valerie Thomson on behalf of Mr. David Paylor. Additionally, Board members Ms. Mary Bunting and State Treasurer Manju Ganeriwala were present. Board Chairman Thomas Hasty was absent.

VRA staff participants included: Ms. Stephanie L. Hamlett, Mr. Peter D'Alema, Mr. Curtis Doughtie, and Ms. Stephanie Jones.

Call to Order

Chair Bailey called the meeting to order at 1:00 p.m.

Approval of Agenda

Mr. Harris made a motion to approve the agenda as presented. Mr. Kittrell seconded. The motion carried.

Compensation Study Update

Chair Bailey called on Mr. Curtis Doughtie, VRA Director of Finance and Administration, to give a presentation. Mr. Doughtie first provided an update on the compensation study. He reminded the Committee that the Board had directed staff to complete a compensation study every four years and that the last one was completed in December 2017. Mr. Doughtie stated that Baker Tilly was selected to perform the analysis and that it should be completed by the end of the month. Ms. Thomson asked if the study is being done on a regional basis. Mr. Doughtie replied that the study is based on compensation in the Richmond area. He also said that it is a blend of public and private employers since VRA is a public entity but has staffing needs similar to those of a bank.

Electronic Meeting Policy Revisions

Chair Bailey said that the next item on the agenda is the proposed electronic meeting policy revisions. She asked Mr. Doughtie to explain the item to which he stated that the redlined version is in the BoardDocs packet and distributed as a handout. Mr. Doughtie mentioned that the Treasury Board had adopted this policy in June. Mr. Kittrell asked what the practical implications of the changes were. Ms. Hamlett said there is little practical change to the circumstances under which a Board member would be permitted to call-in to a meeting.

Mr. Kittrell made a motion to recommend the VRA Board approve the revised VRA Board of Directors Policy Governing Electronic Participation in Meetings as presented. Mr. Harris seconded. The motion carried.

Executive Session

Ms. Donnellan made a motion to enter into a closed meeting in accordance with Section 2.2-3711(A)(1) of the Code of Virginia, as amended, for the purpose of discussion and consideration of the performance, compensation and/or promotion of specific public officers, employees or appointees of VRA. Mr. Kittrell seconded. The Committee entered closed session at 1:11 p.m.

At 1:45 p.m., Ms. Donnellan made a motion, and Mr. Kittrell seconded, to approve the resolution read by Mr. Doughtie certifying the closed session. Mr. Doughtie took a roll call vote of the Committee members with all voting affirmative. The motion carried with certification of the following resolution:

Whereas, the Personnel Committee of the Virginia Resources Authority (the "Board") has on December 13, 2021 convened a closed session pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

Where, Section 2.2-3712 of the Code of Virginia requires a certification by the Board that such closed meeting was conducted in accordance with Virginia law;

Now, therefore, be it resolved that 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 that were 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 Board.

Mr. Harris then made the following motion: The VRA Personnel Committee has reviewed the Personnel Policies Manual in light of the ongoing gubernatorial transition. Based on that review, we conclude the policies are sufficient and no changes are needed. Ms. Donnellan seconded. The motion carried.

Old Business

Chair Bailey asked if there was any old business to come before the Committee. There was none.

New Business

Chair Bailey asked if there was any new business to come before the Committee. There was none.

Public Comment Period

Chair Bailey asked if there were any comments from the public. There were none.

Adjournment

Chair Bailey adjourned the meeting at 1:49 p.m.

Stephanie L. Hamlett, Executive Director
Board Secretary

APPROVED:

Ms. Cynthia Bailey, Chair

Virginia Resources Authority
Compliance Committee Meeting
Minutes of the Meeting
Held December 13, 2021

The Compliance Committee of the Board of Directors of the Virginia Resources Authority (VRA) met on Monday, December 13, 2021, in the O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Committee members were present and acting during the meeting: Ms. Mary Bunting, Committee Chair, Mr. Mark Flynn, Mr. Cecil "Rhu" Harris, Mr. Bill Kittrell, and Dr. Charlette Woolridge. Additionally, Board member Ms. Barbara Donnellan was also present. Board Chairman Thomas Hasty was absent.

VRA staff participants included: Ms. Stephanie L. Hamlett, Mr. Peter D'Alema, Mr. Curtis Doughtie, and Ms. Stephanie Jones. Mr. Zach Lucanie, Davenport & Company LLC, and Mr. Ty Wellford, Davenport & Company LLC, were also present.

Call to Order

Chair Bunting called the meeting to order at 2:01 p.m.

Approval of Agenda

Mr. Flynn made a motion to approve the agenda as presented. Dr. Woolridge seconded. The motion carried.

Background of the Loan Monitoring and Compliance Database

Chair Bunting called on Ms. Stephanie Jones, VRA Director of Compliance and Policy, to give a presentation. Ms. Jones provided an overview of the Loan Monitoring and Compliance Database, noting its development over a two-year period as a direct result of the 2008 financial crisis. She stated that the Database was formally adopted by the Board in December 2010 and that being a decade in use it was appropriate to review the continued relevance of the selected metrics.

Original/ Existing Metrics

Ms. Jones continued by explaining each of the currently used metrics, which were the metrics originally adopted by the Board in December 2010. She stated there are nine metrics which place a borrower into an overall category of green, yellow, or red. Ms. Jones also noted that strong state aid coverage is utilized as a credit enhancement to "bump" red borrowers to yellow due to VRA's state aid intercept provision.

Ms. Jones shared an example of a specific risk calculation using the City of Petersburg since the City would later be discussed in the Portfolio Risk Management Committee meeting. She acknowledged that, despite the vast financial improvement between fiscal years 2016 and 2020, the City's Database metrics would lead it to be rated red, aside from getting the state aid enhancement to yellow. Ms. Jones also noted that because of the City's financial crisis, staff had manually kept Petersburg in the red category for continuous oversight.

Next Steps

Ms. Jones concluded her presentation by sharing that Chair Bunting had made a request that members provide questions to Ms. Jones by January so that adequate time would be given for staff to conduct necessary research. The planned schedule over the coming year, she said, targets a Committee recommended motion in December 2022. Ms. Jones remarked that it is hoped by that time the Committee will be able to either recommend re-adoption of the existing Database metrics or recommend any replacement or additional metrics at that time.

Ms. Jones asked the Committee members if there were any questions or discussion. Mr. Flynn asked whether it is possible for a locality's rating to be affected by the management philosophy. He stated that two management philosophies may be equally valid, but could unintentionally affect certain debt metrics. Mr. Flynn used the example of airports who were unintentionally disadvantaged during the allocation of federal pandemic stimulus was dependent on whether the airports had large amounts of debt. He said the management philosophies had varied as to whether to debt-fund or cash-fund certain capital projects and those decisions led to one airport in particular being advantaged in the allocation of stimulus awards.

Mr. Wellford acknowledged that there have been changes to the rating agency criteria since the time that the Database was developed. He offered to prepare materials on the evolution of rating agency criteria for the benefit of the Committee discussion. Ms. Hamlett reminded the Committee that staff is able to make manual adjustments to ratings when there are significant qualitative factors to consider, such as in the case of Petersburg. She also stated that there are questions from the rating agencies to VRA on topics such as resiliency that were not being considered a decade ago and it is worth examining these emerging credit factors.

Mr. Harris asked if staff have any initial thoughts. Ms. Jones replied that she believed the Database has worked in its current form, but she is approaching the review with an open mind towards any improvements that may be made. Ms. Bunting acknowledged that even if after the review process that the Committee decides no changes are needed that it will have been productive to have reviewed now that the Database has been in use for a decade.

Old Business

Chair Bunting asked if there was any old business to come before the Committee. There was none.

New Business

Chair Bunting asked if there was any new business to come before the Committee. There was none.

Public Comment Period

Chair Bunting asked if there were any comments from the public. There were none.

Adjournment

Mr. Harris made a motion to adjourn the meeting and Mr. Kittrell seconded. Chair Bunting adjourned the meeting at 2:35 p.m.

Stephanie L. Hamlett, Executive Director
Board Secretary

APPROVED:

Ms. Mary Bunting, Chair

Virginia Resources Authority
Portfolio Risk Management Committee Meeting
Minutes of the Regular Meeting
Held December 13, 2021

The Portfolio Risk Management Committee of the Board of Directors of the Virginia Resources Authority (VRA) met on Monday, December 13, 2021, in the O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Committee members were present and acting during the meeting: Ms. Barbara Donnellan, Committee Chair, Mr. Mark Flynn, State Treasurer Manju Ganeriwala, Board Chairman Thomas Hasty, and Ms. Valerie Thomson for Mr. David Paylor. Additionally, Board members Ms. Mary Bunting and Mr. Cecil "Rhu" Harris were present. Committee member Mr. Dwayne Roadcap on behalf of Dr. Norman Oliver was absent.

VRA staff participants included: Ms. Stephanie L. Hamlett, Mr. Shawn Crumlish, Mr. Peter D'Alema, Mr. Curtis Doughtie, Ms. Stephanie Jones, and Ms. Andrea Pearson. Additional attendees were Mr. David Gustin of McGuireWoods LLP, Mr. Zach Lucanie of Davenport & Company, LLC and Mr. Ty Wellford of Davenport & Company, LLC.

Call to Order

Chair Donnellan called the meeting to order at 3:00 p.m.

Approval of Agenda

Ms. Valerie Thomson made a motion, and Mr. Mark Flynn seconded, to approve the agenda as presented. The motion carried.

SCWWA/ Petersburg Discussion

Chair Donnellan called on Mr. Shawn Crumlish, VRA Director of Financial Services, to provide information on Revolving Loan Fund (RLF) loan applications from the City of Petersburg and the South Central Wastewater Authority (SCWWA). Mr. Crumlish said that, despite no action by the Board is required, staff was sharing this information with the Board because of the continued oversight and disclosure that VRA has provided on Petersburg over the years. He said that the RLF loan applications are for nutrient removal and waterline projects that are important to VRA's agency partners Department of Environmental Quality (DEQ) and Virginia Department of Health. Mr. Crumlish said that VRA Senior Financial Services Manager Andrea Pearson would provide information on the applicants' financials. He turned the presentation over to Ms. Pearson.

Ms. Pearson shared details about the projects and the credit profiles of Petersburg and SCWWA. She highlighted the history of Petersburg which in 2017 had a speculative grade credit rating and had missed payments to the Virginia Retirement System (VRS) and to SCWWA, of which it is a wholesale member jurisdiction. Ms. Pearson remarked that Petersburg now has an A+ rating with Standard and

Poor's and reserves that have grown annually. She continued that Petersburg has improved its days of cash on hand ratio and its debt service coverage ratio and is now current with payments to VRS and to SCWWA. Ms. Pearson noted that the City still has material weaknesses and findings in its audit, but the number is about half in the fiscal year 2020 (FY20) audit of what it was in the FY16 audit. She said that SCWWA has a strong credit profile with no debt outstanding and with strong member jurisdictions. Ms. Pearson said the largest source of funding for the projects is the Water Quality Improvement Fund which is managed by DEQ. She also noted that the applications are for projects to comply with the Phase III Watershed Implementation Plan submitted to the U.S. Environmental Protection Agency for nutrient removal by 2025. Chair Donnellan said that this report is really good news because in 2017 the City of Petersburg was in a crisis and that the City is turning its finances around fairly quickly.

Treasurer Ganeriwala and Board Chairman Thomas Hasty arrived at the meeting at 3:09 p.m.

Mr. Crumlish remarked that the funding source would be federal capitalization grants or repayment dollars and that VRA was not planning to pledge these loans to the SRF [State Revolving Fund] bonds. Ms. Hamlett said that staff takes the cautious approach even if the loans meet the underwriting guidelines. Mr. Hasty asked if VRA is comfortable with the management approach to which Mr. Crumlish replied VRA would want the moral obligation – backing of the member jurisdictions on the loans to SCWWA. Mr. Crumlish further replied that SCWWA was comfortable with securing the member jurisdiction moral obligation pledges as long as none of the localities are responsible for any other localities' missed payments or portions. He also said that VRA is not asking for a general obligation debt consent provision on the Petersburg debt as VRA had in the past.

VPFP Series 2021C Fall Pool Pricing Results

Chair Donnellan called on Mr. Peter D'Alema, VRA Director of Program Management, to make a presentation on the fall pool. Mr. D'Alema first gave an overview of the 2021C Virginia Pooled Financing Program (VPFP) Bond Sale. He noted that rates increased during the period between the application deadline and the pricing date, which impacted refunding volume. Mr. D'Alema said the all-in True Interest Cost for the 2021C Series was 2.29%.

Noting that the Bond Series had 13 borrowers and 15 loans, Mr. D'Alema shared that Lunenburg County was a new borrower to VRA with this issuance. Lunenburg County, he said, financed a radio E-911 system installation in the fall pool through a lease revenue pledge. Mr. Flynn asked what was being leased in the loan to Lunenburg to which Mr. D'Alema replied it was the radio system equipment. Chair Donnellan said that a lot of localities take advantage of leasing this type of equipment when they finance these systems.

VPFP Portfolio Update (Post VPFP 2021C Issuance)

Mr. D'Alema continued his presentation with an update on the VPFP portfolio, which he stated is approximately a $2.5 billion portfolio. He shared details regarding the continued conflict between Greene County and Rapidan Service Authority (RSA). Mr. Hasty asked about whether RSA ratepayers have expressed concerns about rates if Greene County withdraws from the regional authority. Mr. D'Alema

replied that there have been ratepayers who have expressed concerns to RSA about rate increases if Greene withdraws. He further commented that throughout the process VRA has encouraged the parties to engage in mediation.

Mr. D'Alema also updated the Board on the status of operational issues at the Hampton Roads Regional Jail Authority (HRRJA). He shared that the Board of Local and Regional Jails approved HRRJA to enter into a corrective action plan. Ms. Bunting said a lot of correctional officers retired because of the health risks associated with COVID-19, which had led to some of the safety issues at HRRJA, but that HRRJA has since been able to improve the staffing issues.

Mr. D'Alema continued by reporting information about the planned joinder of City of Bristol to the Southwest Virginia Regional Jail Authority. He said the request meets VRA's underwriting guidelines and also shared that Bristol has improved its financial position, including its level of reserves, over time. Mr. D'Alema remarked that Bristol still has limited debt capacity. Mr. Hasty asked whether the racetrack is a good revenue generator for the City. Mr. D'Alema replied that the limited debt capacity of the City is related to its economic development recruitment of Cabela's which ultimately closed with the merger of Cabela's and Bass Pro Shops.

CY2022 VPFP – Financing Calendar

Mr. D'Alema then shared the planned VPFP issuance calendar for calendar year 2022.

VARF Update

Mr. D'Alema provided an update on the Virginia Airports Revolving Fund (VARF) program, noting that VRA defeased outstanding VARF bonds in the summer which effectively turned the portfolio into a direct equity loan portfolio. There are currently, he said, two applications from airports. Mr. Flynn commented on one of the applications which is from Roanoke Regional Airport Commission (RRAC), saying that RRAC has a new Executive Director who was formerly with Dulles Airport and will bring some good ideas to the Airport.

VAHELPS Program – Russell County Project

Mr. D'Alema provided information about Russell County as the first would-be borrower to utilize the VAHELPS Program. He said it is likely that the loan to Russell County will close in February.

Mr. Rhu Harris left the meeting at 3:45 p.m. Treasurer Ganeriwala left the meeting at 3:55 p.m.

Unrestricted Net Position Overview

Mr. D'Alema then shared a presentation slide showing an overview of the unrestricted net position. He mentioned that the slide can be used in the future discussion of how to utilize the Portfolio Risk Management (PRM) Reserve, noting that it can be a mechanism for protecting the Commonwealth's moral obligation (M.O.). Chair Donnellan commented that the slide shows that the PRM Reserve has a

critical purpose and is not just a bucket of funds. Related to the review of the PRM Reserve, Ms. Hamlett noted that the Board will revisit the Strategic Plan at its next-day Board meeting with a proposed revision of a goal from "reduce dependency on" the Commonwealth's M.O. to "enhance protection of" the Commonwealth's M.O.

Continuing Disclosure Update

Mr. D'Alema lastly stated that continuing disclosure has been posted on the Electronic Municipal Market Access (EMMA) website. Chair Donnellan complimented the staff for their good work.

Old Business

Chair Donnellan asked if there was any old business to come before the Committee. There was none.

New Business

Chair Donnellan asked if there was any new business to come before the Committee. There was none.

Public Comment Period

Chair Donnellan asked if there were any comments from the public. There were none.

Adjournment

Mr. Flynn made a motion to adjourn the meeting and Ms. Thomson seconded. Chair Donnellan adjourned the meeting at 4:02 p.m.

Stephanie L. Hamlett, Executive Director
Board Secretary

APPROVED:

Ms. Barbara McCarthy Donnellan, Chair

Virginia Resources Authority
Board Meeting
Minutes of the Regular Meeting
Held December 14, 2021

The Board of Directors of the Virginia Resources Authority (VRA) met on Tuesday, December 14, 2021, in the O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Board members were present and acting during the meeting: Mr. Thomas Hasty, Chairman, Ms. Cynthia Bailey, Ms. Mary Bunting, Ms. Barbara Donnellan, Mr. Mark Flynn, State Treasurer Manju Ganeriwala, Mr. Cecil "Rhu" Harris, Mr. Bill Kittrell, Ms. Kelly Ward for Dr. Norman Oliver, Ms. Valerie Thomson for Mr. David Paylor, and Dr. Charlette Woolridge.

VRA staff participants included: Ms. Stephanie L. Hamlett, Mr. Joe Bergeron, Mr. Shawn Crumlish, Mr. Peter D'Alema, Mr. Curtis Doughtie, Ms. Stephanie Jones, Mr. Tony Leone, and Ms. Andrea Pearson. Additional attendees were Mr. Arthur Anderson of McGuireWoods LLP, Mr. Zach Lucanie, Davenport & Company, LLC and Mr. Ty Wellford of Davenport & Company, LLC.

Call to Order

Chairman Hasty called the meeting to order at 9:00 a.m.

Approval of Agenda

Chairman Hasty asked for a motion to approve the agenda. Dr. Woolridge made a motion, seconded by Ms. Bunting, to approve the agenda as presented. The motion carried.

Approval of Meeting Minutes

Chairman Hasty asked if there was a motion to approve the following meeting minutes in a block:

- Audit Committee Meeting held September 13, 2021
- Portfolio Risk Management Committee Meeting held September 13, 2021
- Board of Directors Meeting held September 14, 2021
- Budget and Investment Committee Meeting held November 3, 2021

Dr. Woolridge made the motion to which Ms. Bunting seconded. The motion to approve the minutes in a block carried.

Report of the Executive Director

Chairman Hasty called on the Executive Director to give her report. Ms. Hamlett first informed the Board that the Conflict of Interest Filing is due February 1st and that the notice will be generated in January. She also shared that she and select staff had a meeting with the Governor-Elect's Transition Team for Finance, which included Senator Steve Newman and former Secretary of Finance Aubrey Layne. Ms. Hamlett further mentioned that there was a follow-up request to the finance secretariat agencies which requested lists of major issues, projects, procurements, strategic plans adopted within the most recent eight years, and staff vacancies. In its follow-up response, she said that VRA included information about Natural Bridge because Mr. Layne had inquired about it during the Transition Team meeting. Ms. Hamlett mentioned that Mr. Layne had also inquired about the Greene County and Rapidan Service Authority (RSA) conflict which was included in VRA's original transition report. She said VRA provided two strategic plans adopted during the past eight years and a notice of one staff vacancy within VRA's Financial Services team. Ms. Hamlett remarked that VRA has had strong employee retention but that VRA has lost some staff over the years to both the private sector and to state government including the Virginia Retirement System.

Ms. Hamlett then invited VRA Director of Program Management Peter D'Alema to introduce Mr. Tony Leone who filled a recent vacancy for the role of Program Manager. Mr. D'Alema said that Mr. Leone has been doing a great job as a new member of the team where he is responsible for grant agreements for the dam safety and flood preparedness programs and loan underwriting for the pooled, airports, and other revolving loan fund programs.

Treasurer Ganeriwala arrived at 9:06 a.m.

Strategic Plan

Chairman Hasty said the next item on the agenda was reviewing proposed revisions to the Strategic Plan. Ms. Hamlett addressed the recommended revisions which were distributed as a redlined handout to the Board members as well as available on BoardDocs. She remarked that the revisions found on pages five and six pertained to reserves and were prompted by suggestions from Mr. Harris. Ms. Hamlett said that the recommended revisions include updating the second goal from "Reducing Dependency on the Commonwealth's Moral Obligation" to "Enhancing Protection of the Commonwealth's Moral Obligation". She explained that this proposed revision is more short-term in nature than reducing dependency on the M.O. which would be a longer term (10-15 year time horizon) goal. As it regarded reserves, Ms. Hamlett stated that strengthening the reserves enhances protection of the Commonwealth's M.O. which is a tangible goal for the Strategic Plan.

Ms. Hamlett also said that on page seven there is a recommended revision to add an objective of ensuring equity and inclusion within VRA's employment practices. She said that these values are already supported but that this proposed revision adds them formally to the Strategic Plan. Dr. Woolridge proposed adding diversity to equity and inclusion on page seven. Mr. Flynn agreed with Dr. Woolridge and stated that the suggestion aligns with what the Governor's Office is using. Dr. Woolridge made a

motion and Ms. Bailey seconded the motion to adopt the revised version of the 2020-2025 Strategic Plan as presented, inclusive of Dr. Woolridge's amendment. The motion carried.

Report of Budget and Investment Committee

Chairman Hasty called on Chair Harris to deliver the Budget and Investment Committee Report. Chair Harris said the Committee had an initial meeting in November to discuss VRA's investment portfolio and heard from its external investment advisors in December. He stated that with the addition of the topic of investments to the Committee's purview that he found it helpful for the background information to be shared for the members benefit. Chair Harris said that there may be Investment Policy revisions brought to the Committee at the upcoming regularly scheduled March or June meetings. Upon the Chair's inquiry, VRA Senior Finance and Investment Officer Joe Bergeron concurred with the Committee Report.

Report of Personnel Committee

Chairman Hasty then called on Chair Bailey to deliver the Personnel Committee Report. Chair Bailey said there were two action items considered by the Committee. The first, she said, regarded revisions to the policy governing electronic participation in meetings. Chair Bailey said that the policy update was being proposed due to the circumstances of the last couple of years and to distinguish between a state of emergency and a member participating in a meeting electronically for other reasons. Upon the Chair's inquiry, VRA Director of Finance and Administration Curtis Doughtie concurred with the explanation of the reason for the policy revisions. Mr. Flynn asked that staff ensure that it is clear in the policy that each of the various circumstances should be recorded in the minutes. Chair Bailey made a motion on behalf of the Personnel Committee and Mr. Harris seconded to approve the revised VRA Board of Directors Policy Governing Electronic Participation in Meetings as presented with the incorporation of Mr. Flynn's amendment. The motion carried.

Chair Bailey also said that the Committee talked about the upcoming transition and about whether the Personnel Policy needed any changes. She said that the Committee does not think there are any changes needed but that the Committee would like to formalize its review. Chair Bailey then made the following motion for Board concurrence: The VRA Personnel Committee has reviewed the Personnel Policies Manual in light of the ongoing gubernatorial transition. Based on that review, we conclude the policies are sufficient and no changes are needed. Mr. Harris seconded the motion. The motion carried.

Report of Compliance Committee

Chairman Hasty next called on Chair Bunting to deliver the Compliance Committee Report. Chair Bunting said that the Committee discussed the Loan Monitoring and Compliance Database which has now been in use for a decade. She said that this was the first meeting of the Committee and that they received a background presentation from staff. Chair Bunting said that the Database uses established metrics to risk-rate the portfolio but also provides flexibility to staff to move a borrower between risk categories based on qualitative factors, such as in the cases of the Cities of Petersburg and Bristol where there had been ongoing fiscal distress. She mentioned that Mr. Wellford of Davenport and Company,

LLC offered to share information about rating agency criteria that has evolved since the Database's development. The Committee, Ms. Bunting said, will be reviewing the Database metrics over the coming year. Upon the Chair's inquiry, VRA Director of Compliance and Policy Stephanie Jones concurred with the Committee Report.

Report of Portfolio Risk Management Committee

Chairman Hasty then called on Chair Donnellan to deliver the Portfolio Risk Management Committee (PRMC) Report. Chair Donnellan called on VRA Director of Financial Services Shawn Crumlish to share information on loan applications from City of Petersburg and the South Central Wastewater Authority (SCWWA) of which Petersburg is a wholesale member jurisdiction. Mr. Crumlish explained that staff is sharing details about these loan applications with the Board due to the financial crisis that Petersburg experienced beginning in 2016. Because VRA had been providing disclosure about Petersburg in its bond offering documents, he said staff felt it was appropriate to share the City's improved financial condition with the Board. He said that the applications for both entities meet existing VRA underwriting guidelines which mean they do not require Board action. Given Petersburg's improvement, Mr. Crumlish shared that VRA is not planning to provide disclosure about Petersburg going forward as long as no material changes occur.

Mr. Crumlish then invited VRA Senior Financial Services Manager Andrea Pearson to present specifics about the financial standing of Petersburg. Ms. Pearson compared the credit review completed on Petersburg in 2017 with the one completed this year. She said that during the 2017 review Petersburg had a speculative credit rating of BB which was most recently upgraded to an investment grade of A+. Ms. Pearson said there has been a dramatic change in key metrics for the City. She did note that there are some instances where the City is still paying bills late, but that it is paying Virginia Retirement System and SCWWA bills on time unlike in 2017. Ms. Pearson said the City has been generating surpluses in its General Fund, recovering in its Enterprise Funds and is not engaging in any more cash flow borrowing. Mr. Crumlish mentioned that SCWWA has been charging its member jurisdictions over the last 24 months as if the loan was in place because it is building up liquidity to prepare for the project and future debt service. Chair Donnellan asked if there were any questions from the Board and there were none. She remarked that this report is good news about the financial turnaround in the City of Petersburg.

Next, Chair Donnellan called on Mr. D'Alema to share the information on the fall pool. Mr. D'Alema said that the Virginia Pooled Financing Program (VPFP) fall pool financed 15 loans for 13 localities for a par amount of approximately $140 million. He shared VRA's appreciation for the various consultants work on the sale, including McGuireWoods LLP, Davenport and Company, LLC, and the underwriters syndicate. Mr. D'Alema said eight of VRA's 19 distinct project areas were financed in the fall pool which received ratings confirmations of AAA/AA for the program. He noted the sale was sold in three competitive tranches and one negotiated sale. Mr. D'Alema said that with the favorable market interest rates many borrowers continue to advance refund debt with taxable bonds as was the case in this fall pool issuance.

Mr. Kittrell left the meeting at 9:30 a.m.

Mr. D'Alema then updated the Board on the ongoing conflict between Greene County and RSA, the operational issues at Hampton Roads Regional Jail Authority, and the planned joinder of City of Bristol with the Southwest Virginia Regional Jail Authority (SWVRJA). Mr. Harris asked whether SWVRJA has the bed capacity for Bristol's inmates. Mr. D'Alema responded that it is VRA's understanding that SWVRJA should have no problem housing Bristol's inmates but that the joinder may reduce capacity for federal inmates who are non-member jurisdiction inmates.

Ms. Bunting left the meeting at 9:45 a.m.

Mr. D'Alema shared the 2022 financing calendar for the VPFP and an update on the Virginia Airports Revolving Fund. He mentioned that Russell County is the first anticipated borrower for the VAHELPS Program which will be funded through a bank placement expected to close by February. Mr. D'Alema said that the VAHELPS Program was developed by VRA in 2017 as an alternative avenue for financing. Treasurer Ganeriwala asked how large the loan to Russell would be to which Mr. D'Alema replied the request was for $19 million and the loan would likely end up in the $15-$16 million dollar range. Treasurer Ganeriwala asked about the rate secured by Russell by the bank placement loan compared to the rate in the fall pool. Mr. D'Alema replied the rate for the Russell loan is 1.97%. Mr. Wellford added that the loan to Russell is a 20-year loan and the fall pool went out 30 years so the comparison is apples and oranges. Chair Donnellan asked what the value was that VRA added if Russell could obtain a bank loan on its own. Mr. D'Alema replied that VRA's state aid intercept provision provides the credit enhancement for the loan.

Mr. D'Alema shared a presentation slide on the unrestricted net position overview to show the potential uses for the reserves. He said the Portfolio Risk Management (PRM) Reserve can be used for a local payment default, for a rate stabilization reserve, to strategically defease loans in distress, and also to reduce reliance long-term on the Commonwealth's moral obligation. Mr. D'Alema said it was a topic for later Board discussion of what to do with excess reserves, how to target the reserves and for what purposes. Mr. Harris stated that flexibility was added to the Strategic Plan and that each bucket does not necessarily have a particular target right now. Chair Donnellan said that the presentation slide is important because it shows the variety of purposes for which the reserves can be used. Treasurer Ganeriwala asked what the monetary target is for the reserves. Mr. D'Alema replied that the methodology is tied to Standard and Poor's ratings of the portfolio and that approximately $16 million is currently the target. Chairman Hasty said he and Mr. D'Alema had talked about possibly having a 1% minimum floor for the PRM Reserve. Chair Donnellan expressed that the pandemic in a sense was a stress test on the portfolio. She said that VRA may have thought it would have had some payment defaults because of the pandemic but that it did not. Mr. D'Alema cautioned that in a more normal interest rate environment VRA would not have the level of excess revenues over expenses that have been generated by the increased volume in the currently low interest rate environment. He said that the ability to add to reserves would thus be diminished in a more normal interest rate environment. Treasurer Ganeriwala said it is important to consider in the discussion the larger purpose of moving away from the Commonwealth's moral obligation which would require a much larger reserve than just what would be needed to cover potential distressed borrowers in the portfolio. Mr. Crumlish mentioned that it is only the VPFP that generates excess revenues since work on the other programs is performed strictly on a cost recovery basis. Mr. D'Alema concluded his remarks by saying VRA had posted its continuing disclosure

on the EMMA [Electronic Municipal Market Access] website. He also reminded the Board that VRA went through the MCDC [Municipalities Continuing Disclosure Cooperation Initiative] process when municipal disclosure was under national scrutiny. Chair Donnellan said this concluded the Committee's Report.

Old Business

Chairman Hasty asked if there was any old business to come before the Board. There was none.

New Business

Chairman Hasty asked if there was any new business to come before the Board. Ms. Hamlett noted that proposed meeting dates are presented for the Board's review as follows: March 7 & 8, 2022, June 13 & 14, 2022, September 12 & 13, 2022, and December 12 & 13, 2022. She requested that Board members let staff know if there are any scheduling conflicts.

Public Comment Period

Chairman Hasty asked if there were any comments from the public. There were none.

Adjournment

Chairman Hasty adjourned the meeting at 10:06 a.m.

Stephanie L. Hamlett, Executive Director
Board Secretary

APPROVED:

Mr. Thomas L. Hasty, III, Chairman of the Board