

VIRGINIA RESOURCES AUTHORITY

**PERSONNEL COMMITTEE
MINUTES OF A REGULAR MEETING**

The Personnel Committee of the Virginia Resources Authority met on Monday, December 11, 2017, in the William G. O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Committee Members Present

Reginald E. Gordon, Chair
Jennifer Bowles
Cecil R. Harris, Jr.
Valerie Thomson
Thomas L. Hasty, III, Ex Officio

Committee Members Absent

Randall P Burdette

Staff Present

Jean Bass, Acting Executive Director/Secretary to the Board
Curtis Doughtie, Director of Administration and Finance

Others Present

Megan Gilliland, Christian & Barton L.L.P., General Counsel
Laura Beck, Gallagher Benefit Services (formerly Titan Group)

Call to Order

The meeting was called to order by Mr. Reginald E. Gordon, Chair, at 2:33 p.m.

He asked everyone to introduce themselves.

Approval of Agenda

Motion by Ms. Thomson, seconded by Mr. Harris, that the agenda be approved as presented.

Motion carried.

Compensation Management Plan

Mr. Curtis Doughtie, Director of Administration and Finance, stated that VRA engaged the services of Gallagher Benefit Services, formerly known as the Titan Group, to complete the compensation review and study initiated in 2016. The 2016 study grew out of the Board's Strategic Plan and its goal of maintaining a qualified staff. The study, led by former VRA Director of Administration and Finance, Michael Cooper, was to be conducted by Springsted, Inc., but lapsed with Mr. Cooper's departure from VRA. The study was also necessitated by the possibility of losing key employees as a result of Administration and possible VRA leadership transition.

Mr. Doughtie explained that the update includes benchmarking of VRA pay to market, the development of a salary structure for employees and a cost analysis of implementation. He introduced Ms. Laura Beck of Gallagher who was instrumental in developing the study.

Mr. Doughtie explained that the process began with a meeting between Gallagher and VRA to discuss VRA as a whole, its compensation history, and provide current job descriptions for all positions. Afterwards, he stated, Gallagher compared six different published compensation surveys in the market place to VRA positions. Mr. Doughtie continued that based on the analysis of the job comparisons, Gallagher developed a pay structure and recommended an overall salary structure for VRA of various pay grades. In response to the Committee, Mr. Doughtie stated that VRA positions were compared to a blend of public finance and private finance sectors in the market survey.

Mr. Doughtie presented the results of the study explaining that the current salary structure is 6% below market; and individual pay, on average, is 7% below market. He shared data pertaining to the market median salaries, VRA salaries and the percentage difference between VRA's average salary and the market median salary. In addition, Mr. Doughtie shared the recommended pay structure, pay scale and pay grades that will align VRA with the market analysis. He noted the pending development of a step-style scale to facilitate employee advancement within pay grades, to be finalized in January 2018. Each employee would be entitled to a step increase based upon a satisfactory annual performance review (if such increases are provided for in the Board approved budget). Executive Director compensation is not included. Annual performance increases, based upon step increases, will not preclude the Board from authorizing any additional compensation/bonus it may wish to provide.

Mr. Doughtie explained the implementation process for the recommended salary adjustment. He stated that the adjustment be absorbed in the current FY2018 budget due to staff vacancies and other cost savings measures. In addition, he said, no adjustment is needed to state agency partner FY2018 budgets. Pay adjustments will become effective January 1, 2018; and the FY2019 proposed budget will include a one-step employee compensation merit adjustment. Mr. Doughtie concluded that no action is required by the Personnel Committee or the VRA Board.

Retirement Health Care

Mr. Curtis Doughtie, Director of Administration and Finance, informed the Committee that VRA is exploring the feasibility of adding retiree health care benefits to its employee benefit package. He stated this benefit is offered by the state and most local governments and would make VRA competitive in attracting and recruiting potential employees from state and local governments. Mr. Doughtie explained that VRA staff will hold discussions with actuaries, legal, and financial advisors to assess the impact of health care benefits. He concluded that staff will provide an update and recommendation at the March 2018 meetings of the Personnel Committee and the Board of Directors. He noted that should the benefit be provided it will be effective after July 1, 2018 for retirees after July 1, 2018.

Conflict of Interest Filing

Mr. Curtis Doughtie, Director of Administration and Finance, stated that VRA Board of Directors will receive instructions for completing Conflict of Interest filings around January 1, 2018. He explained that the filing period covers the calendar year January 1, 2017 through December 31, 2017. The filing deadline is February 1, 2018, and there is a monetary penalty for late filing. It was noted that the Conflict of Interest forms should not be filed prior to January 1, 2018.

Old Business

There was no old business.

New Business

There was no new business.

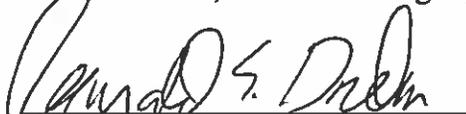
Public Comment Period

There was no public comment.

Adjournment

Motion by Ms. Bowles, seconded by Mr. Hasty, that the meeting be adjourned.

Motion carried, and the meeting adjourned at 3:10 p.m.



Reginald E. Gordon, Chair



Jean Bass, Acting Executive Director/
Secretary to the Board

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

The Portfolio Risk Management Committee of the Virginia Resources Authority met on Monday, December 11, 2017, in the William G. O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Committee Members Present

Barbara McCarthy Donnellan, Chair
Manju Ganeriwala
Valerie Thomson
Thomas Hasty, III, Ex Officio

Committee Members Absent

David Branscome

Other Board Members Present

Cecil R. Harris, Jr.

Staff Present

Jean Bass, Acting Executive Director/Secretary to the Board
Peter D'Alema, Director of Program Management
Shawn Crumlish, Director of Financial Services
Curtis Doughtie, Director of Administration and Finance
Kimberly Adams, Senior Program Manager
Jonathan Farmer, Senior Program Manager
Stephanie Jones, Senior Program Manager/Compliance Officer
Catherine O'Brien, Accounting Manager
Joseph Bergeron, Financial Services Manager
Andrea Pearson, Financial Services Manager

Others Present

Megan Gilliland, Christian & Barton, L.L.P., General Counsel
Arthur Anderson, McGuireWoods, LLP
Ty Wellford, Davenport and Company, LLC
Caleb Harris, Raymond James & Associates, Inc.

Call to Order

The meeting was called to order by Mrs. Barbara McCarthy Donnellan, Chair, at 3:26pm.

Approval of Agenda

There being no additions or changes to the agenda, the agenda was accepted as presented.

2017C Virginia Pooled Financing Program (VPFP)

Mr. Peter D'Alema, Director of Program Management, stated that VRA sold \$86.9 million of VPFP bonds funding 12 loans on behalf of 11 local government borrowers, and covering six of VRA's project areas. Mr. D'Alema continued that the market has been strong for borrowing throughout the year and the True Interest Cost (TIC) was 2.848% and the All-In TIC was 3.053% for the fall bond issue, which included loans maturing through November 1, 2044. In addition, the Infrastructure Revenue Bonds maintained the current Aaa/AAA ratings and the State Moral Obligation Revenue Bonds maintained the current Aa2/AA ratings from Moody's and S&P, respectively. Mr. D'Alema noted that the sale transpired one day before the tax legislation was introduced in the U.S. House of Representatives.

Mr. D'Alema continued that the Infrastructure Revenue Bonds were sold on a negotiated basis and the State Moral Obligation Revenue Bonds were offered by competitive bid on November 1, 2017. The Infrastructure Revenue Bond underwriters were Raymond James, Senior Manager, Loop Capital Markets, Co-Senior, and Citi and Jefferies, Co-Managers. The bid winner for the State Moral Obligation Revenue Bonds was Robert W. Baird & Co., Inc. with a True Interest Cost bid of 2.86%.

Mr. D'Alema proceeded noting that the 2017C borrowers refunded a total par amount of \$32.985 million for debt service savings including prior and non-VRA debt refunded. The total net present value (NPV) borrower savings exceeded \$2.8 million. Mr. D'Alema shared the refunding borrower list that included the refunded par and NPV savings. In addition, \$5.22 million in currently callable Capital Reserve Fund bonds were refunded for total NPV savings of approximately \$1 million, representing 19.15% of the refunded principal amount. There was extensive interest in the bonds, and VRA was able to improve the yield on some of the maturities between the initial pricing wire and the final verbal award of the negotiated, senior-lien VPFP bonds. Mr. D'Alema concluded by sharing the Series 2017C borrowers list highlighting the par, VRA project area, project description and security. He noted that one borrower had two loans, there was one new borrower, and three of VRA's top ten borrowers participated in the transaction.

Mr. Ty Wellford, Davenport and Company, LLC, explained, in response to the Committee, the difference between negotiated and competitive sale of bonds. He then provided the market overview and summary of the 2017 bond sale results highlighting market conditions for the past 12 months, historical 'AAA' MMD, historical credit spreads, pool issuance volume since 2011, and 2017 pool transactions. He mentioned that no advanced refundings will be allowed if the proposed tax reform legislation is enacted.

There was discussion relative to the advantages and disadvantages of advanced refundings. It was noted that there is some confusion among federal legislators about the costs versus benefits of local government advance refundings, which has resulted in continued scrutiny of the practice in the pending tax reform legislation.

Mr. Wellford concluded with the 2017 calendar year in review. He stated that tax-exempt borrowing rates remained at attractive levels throughout the year but have recently trended upward.

VRA successfully issued approximately \$188 million of bonds through three separate financings and each had a true interest cost below 3.25%. He continued that VRA financed approximately \$113 million of new money projects for ten different borrowers; refinanced existing debt for 11 borrowers, which produced \$9.2 million of aggregate debt service savings; and maintained existing credit ratings for the Virginia Pooled Financing Program, Clean Water and Virginia Airport Programs.

Virginia Pooled Financing Program (VPFP) Portfolio

Mr. Peter D'Alema, Director of Program Management, provided a VPFP portfolio summary, reflecting the aggregate loan portfolio after the issuance of the VPFP Series 2017C Bonds, noting that VRA has \$2.37 billion in total borrower local loans outstanding that include 142 local government borrowers and over 315 loans. It was further discussed that there was one new borrower added to the portfolio from the 2017C issuance, SPSA debt matured as of October 1, 2017, and the credit quality of the portfolio as viewed by S&P and Moody's remains strong based on the underlying assigned and implied rating of localities in the portfolio. He continued that the top ten borrowers represent 37.2% of overall VPFP portfolio, which is a decline in concentration that is viewed favorably by the rating agencies. The largest borrower is currently 8.23% of the overall VPFP portfolio. The largest borrower has remained below 9% of overall portfolio over last five years, which is also viewed as a credit positive factor by the rating agencies.

Bristol Virginia Utilities Authority (BVUA)

Mr. Peter D'Alema, Director of Program Management, stated that the BVUA remains current on the VPFP Series 2010C loan. The Optinet sale is anticipated to close in December 2017 or January 2018. In conjunction with the Optinet sale closing, BVUA plans to defease a portion or all of the VPFP Series 2010C loan. He explained that the final negotiations with Sunset Digital Communications (Sunset) have been difficult, and BVUA is currently waiting on final approval from the FCC and local entities. VRA is in contact with all parties, and a contingency plan has been considered if the sale of the Optinet System does not go forward. Mr. D'Alema continued that BVUA has worked to improve the efficiency of operations since the FY2017 budget and has successfully decreased certain operating expenses within the Optinet division. In addition, he said that BVUA has indicated that it can continue to operate the Optinet system and is in a very strong cash position. He added that BVUA is in a position to pay off its electric fund debt with existing excess electric fund cash balances and is projecting to defease the Optinet debt within the next three to five years if the Optinet system is not sold to Sunset.

City of Petersburg

Mr. Peter D'Alema, Director of Program Management, stated that the City of Petersburg is current on all VPFP loans as well as its one Clean Water loan. Petersburg was able to secure working capital financing for the remainder of FY2018 and continues to work to improve its financial condition. He noted that Petersburg received a clean opinion on its FY2017 audit. Petersburg's general revenue exceeded expenses in FY2017. In addition, he explained that Petersburg has made

some structural changes in the treasurer's and finance offices to improve financial reporting and collection of tax revenues.

Town of Pocahontas

Mr. Peter D'Alema, Director of Program Management, stated that the Town of Pocahontas has one loan outstanding with VRA through the Virginia Pooled Financing Program (VPFP) Series 2005B bond issue that was used to refinance prior USDA Rural Development debt. He explained that rising water production costs, coupled with a declining user base since 2005, have challenged the Town's finances. In addition, the Town's water treatment plant has reached the end of its useful life, and the plant is scheduled to be taken offline once a project to connect Pocahontas to the Tazewell County PSA system is completed. Mr. D'Alema stated that the County of Tazewell loaned the Town funds to pay its October 1, 2017 2005B loan payment to bridge the Town's cash flow until the PSA project is completed, at which time, PSA staff will manage the Pocahontas water system.

Because of the Town's financial challenges, VRA staff has recommended defeasing the underlying VPFP bonds that funded the Pocahontas Series 2005B loan with funds in the PRM Reserve to reduce future risk to the VPFP portfolio. This action would transition the Town's loan to a direct loan investment of the PRM Reserve. Under the VRA Unassigned Net Asset Guidelines Fund Balance, the VRA Executive Director is required to notify the chairs of the PRMC and Board of Directors that the PRM Reserve funds will be used to defease the Pocahontas VPFP 2005B loan. Mr. D'Alema noted that while it is a small loan, there are several implications if for some reason Pocahontas defaults on payment of the loan in the VPFP. He explained that VRA will service and manage the loan after it is removed from the VPFP portfolio and made a direct loan. Mr. D'Alema stated this is the first time the PRM Reserve will be used in this manner, and Mr. Hasty indicated that this was precisely the scenario for which the PRM Reserve was created.

VRA continues to seek ways to assist Pocahontas, which included facilitating a call with Tazewell County, Tazewell County PSA, and the Virginia Department of Health to discuss approaches to ensure water system reliability until the Tazewell County PSA takes over the day-to-day operations of the Town's water system. As a result of this call, Tazewell County PSA committed to assisting the Town with invoicing for the water system and the Department of Health will assist in streamlining certain water sampling and testing requirements.

Spring Series 2018A Virginia Pooled Financing Program (VPFP)

Mr. Peter D'Alema, Director of Program Management, shared the 2018A VPFP tentative financing schedule. Applications will be received through February 2, 2018. He stated that due diligence work and underwriting will be conducted in the weeks that follow, talks with rating agencies will be in the middle of April 2018, ratings will be received by the end of April 2018, and pricing will be on May 9, 2018, with a closing on May 23, 2018.

Appomattox River Water Authority (ARWA)

Mr. Peter D’Alema, Director of Program Management, stated that one of the localities that was interested in the 2018A VPPF was Appomattox River Water Authority (ARWA). ARWA requested up to \$16.1 million for new money projects as well as a refunding. He explained that VRA approved the loan request on two prior occasions. However, he said ARWA did not approve of the terms of the loan agreement because the member localities were asked to provide a moral obligation as security on the entire loan to ensure that VRA did not increase its credit exposure to Petersburg in the VPPF. In addition, Mr. D’Alema stated that VRA provided two other security scenarios at the request of ARWA that met VRA’s underwriting guidelines; ultimately, ARWA moved forward with a bank direct placement.

Virginia Railway Express (VRE)

Mr. Peter D’Alema, Director of Program Management, stated that the Virginia Railway Express (VRE) expressed interest in participating in the 2018A VPPF, noting that the loan request is up to \$53 million to refinance a debt issuance through the Federal Railroad Administration to purchase 60 railcars. The refinancing will generate significant annual savings. He explained that the loan request does not require Board approval; however, staff believed that the PRMC and the Board should be made aware of the loan request because of its size and the nature of the project. He provided an extensive history of VRE, its operations, financial performance, and credit strengths and weaknesses. Mr. D’Alema said that this is a very complex credit. However, he stated that it is a good credit to move forward in the VPPF assuming that the seven member “participating jurisdictions” (counties of Fairfax, Prince William, Stafford, and Spotsylvania and the cities of Fredericksburg, Manassas, and Manassas Park) are willing to offer moral obligation pledges. Arlington County and the City of Alexandria are “contributing jurisdictions” but are not anticipated to provide a moral obligation pledge. Mr. D’Alema concluded by sharing the terms of the credit that include Northern Virginia Transportation Commission as the legal obligor for the loan on behalf of VRE. Additionally, the loan would be secured by a gross revenue pledge of VRE related revenues that include fare revenues, federal subsidies, state subsidies, and local jurisdiction contributions (but excluding federal, state, and local funding designated only for capital projects). In addition to the moral obligation pledges of seven member jurisdictions, the loan would also include a local debt service reserve fund requirement and a liquidity covenant.

Continuing Disclosure

Mr. Peter D’Alema, Director of Program Management, stated that staff has posted the continuing disclosure documents for the required programs for Fiscal Year 2017, noting that the disclosure was completed between September and November 2017. The Virginia Pooled Financing Program and the Clean Water State Revolving Fund had no material obligors at Fiscal Year End 2017. The Pooled Loan Bond Program had two material obligors, and they were notified of their status as material obligors in the program in July 2017. The Virginia Airports Revolving Fund had one material obligor who was contacted in July 2017. Goochland County (Tuckahoe Creek Service District) was contacted in July 2017 with a local disclosure reminder. He concluded that the

disclosure documents can be found in the appendix provided to Board members. In addition, VRA continuing disclosure can be found through the EMMA website at <https://emma.msrb.org>.

Compliance Update

Ms. Stephanie Jones, Senior Program Manager/Compliance Officer, provided a compliance overview stating that a full report will be provided in March 2018. She highlighted categories of VRA borrowers, stating that 73.9% are in the green category; 15.3% are in the yellow category; 7.9% are in the red category; and 2.9% are in the grey category. Ms. Jones stated that additional information is needed for borrowers in the grey category. She said that borrowers are tracking strong generally. There are a few borrowers that have challenges, which are being monitored.

Ms. Jones stated that the Financial Assessment Model (FAM) adopted by the Auditor of Public Accounts for monitoring the fiscal stress of localities will be modified based on comments from various stakeholders. Ms. Bass added that the APA had expressed interest in reviewing some of the credit work performed by VRA as APA updates and refines its early-warning system.

Old Business

There was no old business.

New Business

There was no new business.

Public Comment Period

There was no public comment.

Adjournment

There being no further business to come before the Committee the meeting adjourned at 4:57 p.m.

The next meeting of the Committee will be held March 12, 2018.



Barbara McCarthy Donnellan, Chair



Jean Bass, Acting Executive Director/
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY

**BOARD OF DIRECTORS
MINUTES OF A REGULAR MEETING**

The Board of Directors of the Virginia Resources Authority met on Tuesday, December 12, 2017, in the William G. O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Board Members Present

Thomas L. Hasty, III
Jennifer Bowles
Barbara McCarthy Donnellan
Manju Ganeriwala
Reginald E. Gordon
Cecil R. Harris, Jr.
Dwayne Roadcap, on behalf of Marissa J. Levine
Valerie Thomson, on behalf of David K. Paylor

Board Members Absent

David Branscome
Mary B. Bunting
Randall P Burdette

Staff Present

Jean Bass, Acting Executive Director/Secretary to the Board
Peter D'Alema, Director of Program Management
Shawn Crumlish, Director of Financial Services
Curtis Doughtie, Director of Administration and Finance
Joseph Bergeron, Financial Services Manager
Jonathan Farmer, Senior Program Manager
Kimberly Adams, Senior Program Manager
Stephanie Jones, Senior Program Manager/Compliance Officer
Catherine O'Brien, Accounting Manager
Andrea Pearson, Financial Services Manager

Others Present

Megan Gilliland, Christian & Barton, L.L.P., General Counsel
Arthur Anderson, McGuireWoods, LLP
Ty Wellford, Davenport and Company, LLC
Ron Tillet, Raymond James & Associates, Inc.
Caleb Harris, Raymond James & Associates, Inc.

Call to Order

The meeting was called to order by Thomas L. Hasty, III, Chair, at 9:02 a.m.

Mr. Hasty welcomed Mr. Dwayne Roadcap, Director of the Office of Drinking Water, designee to the VRA Board for the Commissioner of the Department of Health. He recognized Ms. Megan Gilliland, a partner in the Richmond-based Christian Barton law firm, who has been contracted to provide General Counsel services to VRA. Mr. Hasty announced Ms. Barbara McCarthy Donnellan's and Ms. Jennifer Bowles' appointments to Governor-elect Ralph Northam's transition team.

Approval of Agenda

Motion by Mrs. Donnellan, seconded by Ms. Ganeriwala, that the agenda be approved as presented.

Motion carried.

Approval of Meeting Minutes

Mr. Hasty called for approval of the minutes of the Portfolio Risk Management Committee meeting held on September 11, 2017, and the minutes of the Audit Committee and Board of Directors meetings held on September 12, 2017.

Motion by Ms. Ganeriwala, seconded by Ms. Bowles, that the minutes of the Portfolio Risk Management Committee meeting held on September 11, 2017, and the minutes of the Audit Committee and Board of Directors meetings held on September 12, 2017 be approved as submitted.

Motion carried.

Executive Director's Report

Ms. Jean Bass, Acting Executive Director, stated that the Executive Director's report has been presented to the Board and she encouraged the Board to review the report. Ms. Bass proceeded to brief the Board on her meeting with the new Secretary of Finance, Aubrey Layne. She said she shared with Secretary Layne some of VRA's challenges and opportunities as identified by the staff, which included concerns with financially distressed communities. Ms. Bass also mentioned concerns regarding the capacity of the Clean Water Fund to fund some future major projects, including projects of the Hampton Roads Sanitation District and the City of Alexandria.

Ms. Bass concluded that Secretary Layne was kind and generous with his time and knew a little about VRA from the Virginia Transportation Infrastructure Bank (VTIB) which VRA manages. She said she took the opportunity to let Secretary Layne know that the legislation for VTIB was

developed at VRA through the efforts of two former executive directors. She continued that Secretary Layne was impressed with the work that VRA is doing, very impressed with the Board, and delighted to have VRA as part of his secretariat.

Ms. Bass also noted that the 2018 Session of the General Assembly would begin on January 10, 2018. She advised that prefiled legislation regarding VRA included expanding VRA's authorized project areas to include dredging and capitalizing the Shoreline Resiliency Fund, established in 2016. Staff will keep the Board informed on the legislation.

Committee Reports

Personnel Committee Report:

Compensation Management Plan: Mr. Reginald E. Gordon, Chair, stated that the Personnel Committee had a good meeting discussing VRA's most valuable assets; its employees. He said that VRA has a talented staff with unique skills and that in light of changes in the Administration, it was important to develop a strategy to retain and recruit exceptional employees. Mr. Gordon called on Mr. Curtis Doughtie, Director of Administration and Finance, who stated that a Compensation Management Plan was recommended in June 2016 and that its completion was delayed due to the departure from VRA of Michael Cooper who had responsibility for managing the study and changes in the Springsted organization that was contracted to perform the work. He stated that the plan aligns with the Board approved Strategic Plan which has a goal to maintain a qualified staff. Gallagher Consulting, formerly the Titan Group, was engaged to develop a compensation strategy, market price VRA positions, develop a salary structure based on market findings, and create a compensation plan to facilitate employee advancement. Mr. Doughtie explained that the consultant was present at the Personnel Committee Meeting and provided the methodology used to analyze pay grades. In summary, he said that the salary structure is 6% below market and the consultant proposed an updated salary structure that will align the VRA pay grades with market. Individual pay was 7%, on average, below market, and is the recommended adjustment by the consultants to bring the pay structure to market. Mr. Doughtie stated that the market analysis was based on the mid-point with the understanding that not everyone should be at the mid-point depending on where they are in their careers, tenure and experience.

Mr. Doughtie concluded that the recommended adjustment can be absorbed in the FY2018 budget without any budget adjustments due to staff vacancies and cost savings measures. As a result, state agency partners will not need to make adjustments to their Fiscal Year 2018 budgets. The pay adjustments will become effective January 1, 2018. Mr. Doughtie explained that the Fiscal Year 2019 proposed budget will include step-style employee compensation merit adjustments that will provide structured employee advancement within pay grades.

Retirement Health Care Benefits: Mr. Curtis Doughtie, Director of Administration and Finance, stated that VRA does not offer retiree health care benefits. This benefit, provided with state retirement, can serve as a recruiting tool for VRA in attracting seasoned recruits from the Commonwealth pool. He explained that the benefit does have an impact from an accounting

standpoint. Therefore, staff will hold discussions with actuaries, legal, and financial advisors to assess the impact of the retiree health care benefits. He concluded that the benefit would be effective after July 1, 2018. More information and a recommendation to the Board will be provided at the Board's March 2018 meeting.

Conflict of Interest Filings: Mr. Curtis Doughtie, Director of Administration and Finance, reminded the Board that all filings are due by February 1, 2018. All filings must be completed online and covers the 2017 calendar year. He noted that there is a penalty for late filings. In addition, VRA auditors review the filings to ensure that Board members are filing on time. Mr. Doughtie concluded that Board members will receive email instructions regarding the completion of the forms around the first week of January. It was noted that the filings cannot be submitted prior to January 1, 2018.

Portfolio Risk Management Committee (PRMC)

Mrs. Barbara McCarthy Donnellan, Chair, asked Mr. Peter D'Alema, Director of Program Management, to begin the presentation on behalf of the PRMC.

2017C Virginia Pooled Financing Program (VPFP): Mr. D'Alema stated that the 2017C VPFP transaction went very well as VRA sold \$86.9 million of VPFP bonds on November 1, 2017, funding 12 loans on behalf of 11 local government borrowers, covering six of VRA's authorized project areas. He noted that the market was very strong for borrowers refinancing or financing new money projects. The True Interest Cost (TIC) was 2.848% and the All-In TIC was 3.053%. Mr. D'Alema stated that the execution of the transaction went well and thanked all of the team members including McGuireWoods and Davenport and Company, stating they approached the sale by selling the Infrastructure Revenue Bonds on a negotiated basis and the State Moral Obligation (MO) Revenue Bonds by competitive bid. The underwriters for the Infrastructure Bonds were Raymond James, Senior Manager, Loop Capital Markets, Co-Senior, and Citi and Jefferies were Co-Managers. The bid winner for the State MO Bonds was Robert W. Baird & Co., Inc. with a True Interest Cost bid of 2.86%.

Mr. D'Alema introduced Mr. Ron Tillett and Mr. Caleb Harris of Raymond James who gave their perspective of the sale. Mr. Tillett stated that the focus of the sale was on a couponing structure which was important for refunding and savings. The second focus was on Tier 2 and 3 investors with less sensitivity for the interest costs, better negotiations and the involvement of more investors. VRA had 40% penetration in the market which served VRA well, with 50 different investors interested in VRA, either on a competitive or negotiated basis. Mr. Tillett said good savings and interest rates were realized and that Raymond James appreciated the opportunity to be a part of the transaction.

Mr. D'Alema continued that six borrowers refunded a total par amount of \$32.985 million for debt service savings and net present value borrower savings exceeded \$2.8 million. In addition, \$5.22 million in currently callable Capital Reserve Fund bonds were refunded for a total net present value savings of nearly \$1 million. Mr. D'Alema summarized a chart showing the 12 loans in the

pool, the borrowers, par amount, VRA project areas, project description and security. He highlighted first time borrowers and the three largest VRA borrowers.

Mr. Ty Wellford, Davenport and Company, provided the market overview and summary of the 2017 bond sale results. He highlighted market conditions for the past 12 months, historical 'AAA' MMD, historical credit spreads, pool issuance volume since 2011, and 2017 pool transactions. He mentioned that no advanced refundings will be allowed if tax reform legislation is enacted as proposed.

Mr. Wellford concluded with the 2017 calendar year in review. He stated that tax-exempt borrowing rates remained at attractive levels throughout the year but have recently trended upward. VRA successfully issued approximately \$188 million of bonds through three separate financings and each had a true interest cost below 3.25%. He continued that VRA financed approximately \$113 million of new money projects for ten different borrowers; refinanced existing debt for 11 borrowers, which produced \$9.2 million of aggregate debt service savings; and maintained existing credit ratings for the Virginia Pooled Financing Program, Clean Water and Virginia Airport Programs.

Virginia Pooled Financing Program (VPFP) Portfolio: Mr. Peter D'Alema, Director of Program Management, provided a general update of the VPFP portfolio. He stated that after the 2017C bond sale there is \$2.37 billion in total borrower local loans outstanding, comprised of 142 local government borrowers with over 315 loans. He noted that one new borrower was added to the portfolio from the 2017C issuance; SPSA debt matured in October 2017; and three quarters of the portfolio has at least an 'A' or better credit rating due to State Intercept assigned ratings of localities in the portfolio. Mr. D'Alema continued that the top 10 borrowers represent 37.2% of the overall VPFP portfolio; the largest borrower is currently 8.23% of overall VPFP portfolio; and the largest borrower has remained below 9% of the overall portfolio over the last five years.

Bristol Virginia Utilities Authority (BVUA): Mr. Peter D'Alema, Director of Program Management, stated that the BVUA is currently in the final negotiations of the sale of its Optinet System, waiting for final approval from the FCC. The sale is likely to occur in January 2018. He explained that BVUA is current on its payments to VRA. Staff will continue communications with BVUA and will provide updates to the Board.

City of Petersburg: Mr. Peter D'Alema, Director of Program Management, stated that Petersburg remains current on its three VPFP loans and one Clean Water loan. Further, he said, Petersburg secured working capital for the remainder of Fiscal Year 2018, received a clean auditor opinion for Fiscal Year 2017; the general fund performed better than in previous years; and made structural changes that included the transfer of duties from the Treasurer's Office to the Finance Department. Staff will continue to monitor and provide updates to the Board.

Town of Pocahontas: Mr. Peter D'Alema, Director of Program Management, provided information regarding VRA's Virginia Pooled Financing Program (VPFP) 2005 refunding loan to the Town of Pocahontas for USDA rural development debt. In describing the Town's financial

challenges, Mr. D'Alema explained that the decision was made to reduce the Town's risk in the VPFP portfolio. Consequently, the Portfolio Risk Management (PRM) Reserve funds will be used to defease the 2005B bonds allowing VRA to convert the VPFP loan into a direct loan between VRA and Pocahontas. In accordance with VRA's Unassigned Net Asset Guidelines, Mr. D'Alema stated that a letter has been sent to VRA Board Chair Hasty and PRMC Chair Donnellan, as required, informing them of the intent to use the PRM Reserves. The PRM Reserve will be the beneficiary of the interest on the loan. Mrs. Donnellan added that this is the first time the Reserve has been used and the Pocahontas situation is the purpose of the Reserve.

2018 Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, shared the 2018A VPFP tentative financing schedule. Applications will be received through February 2, 2018, pricing of the bonds will be on May 9, 2018 and closing will be on May 23, 2018.

Virginia Railway Express (VRE): Mr. Peter D'Alema, Director of Program Management, stated VRA received an early request for a loan from VRE to be included in the 2018A pool up to \$53 million to refinance debt issued through the Federal Railroad Administration, which was used to purchase 60 railcars. The request does not require Board approval; however, because of the size of the loan staff wanted to share some of the details with the Board and PRMC.

Continuing Disclosure: Mrs. Donnellan stated that the annual requirement for filing continuing disclosure documents for the Virginia Pooled Financing Program, Virginia Airports Revolving Fund, Clean Water State Revolving Fund and Goochland County have been posted for Fiscal Year 2017. The disclosure was completed between September and November 2017. She encouraged Board members to review, noting that the continuing disclosure can be found through the EMMA website at <https://emma.msrb.org>.

Compliance Update: Mrs. Donnellan shared the Compliance update presented by Ms. Stephanie Jones, Senior Program Manager/Compliance Officer, at the PRMC meeting. The full report will be provided at the March 2018 meeting.

Old Business

There was no old business.

New Business

Ms. Jean Bass, Acting Executive Director and Secretary to the Board presented the 2018 Committee and Board Meeting Calendar for 2018, as follows: March 12 & 13, 2018; June 11 & 12, 2018; September 10 & 11, 2018; and December 10 & 11, 2018.

The Board accepted the proposed dates.

In response to the Board, Ms. Megan Gilliland, Christian & Barton, L.L.P., General Counsel, will provide the policy relative to Board members calling in for meetings.

Public Comment Period

There was no public comment.

Adjournment

Mr. Hasty extended holiday wishes to all.

There being no further business to come before the Board of Directors, the meeting adjourned at 10:15 a.m.

The next meeting of the Board will be held on March 13, 2018.



Thomas L. Hasty, III, Chair



Jean Bass, Acting Executive Director/
Secretary to the Board