

**Virginia Resources Authority
Compliance Committee Meeting
Minutes of the Regular Meeting – DRAFT
Held December 12, 2022**

The Compliance Committee of the Board of Directors of the Virginia Resources Authority (VRA) met on Monday, December 12, 2022, 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: Ms. Mary Bunting, Committee Chair; Mr. Bill Kittrell; Mr. Michael Rolband, Director of the Department of Environmental Quality (DEQ); Dr. Charlette Woolridge; and Mr. Cecil R. Harris, Jr., Chairman. DEQ Board designee Ms. Karen Doran was also present.

VRA staff participants included: Mr. Shawn B. Crumlish, Executive Director and Board Secretary; Mr. Peter D'Alema; Mr. Curtis Doughtie; Ms. Stephanie Jones; Mr. Spencer Murray; Ms. Catherine O'Brien; and Ms. Maisie Strawn. Ms. Megan Gilliland of Kaufman & Canoles, P.C. and Mr. Ty Wellford of Davenport & Company, LLC were also present.

Call to Order

Chair Bunting called the meeting to order at 2:00 p.m.

Approval of Agenda

Chair Bunting asked for a motion to approve the agenda. Dr. Woolridge made a motion, seconded by Mr. Rolband, to approve the agenda as presented. The motion carried.

Loan Monitoring and Compliance Database – Metric Recommendations

Chair Bunting gave a brief introduction and then called on Ms. Jones for a presentation. Ms. Jones shared the recommendations developed by staff based on prior Committee meeting discussions and other input. The Committee discussed whether color-coding of the overall categories should be eliminated or should remain in some fashion. Committee members and staff agreed that the overall risk category "Weak" would have a red color-code, but the other overall categories would not have any shading. After discussion about each recommendation, Dr. Woolridge made a motion, seconded by Mr. Rolband, to recommend Board adoption of the revised Loan Monitoring and Compliance Database metrics as presented by staff, including the red color-coding of the "Weak" overall risk category. The motion carried.

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

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

Adjournment

Chair Bunting adjourned the meeting at 2:33 p.m.

Shawn B. Crumlish, Executive Director
Board Secretary

APPROVED:

Mary B. Bunting, Committee Chair

Virginia Resources Authority
Portfolio Risk Management Committee Meeting
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The Portfolio Risk Management Committee of the Board of Directors of the Virginia Resources Authority (VRA) met on Monday, December 12, 2022, 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: Ms. Barbara Donnellan, Committee Chair; Mr. Greg Campbell, Director of the Department of Aviation; Mr. Dwayne Roadcap for Dr. Colin Greene, State Health Commissioner; Mr. Michael Rolband, Director of the Department of Environmental Quality (DEQ); and Mr. Cecil R. Harris, Jr., Chairman. DEQ Board designee Ms. Karen Doran was also present.

VRA staff participants included: Mr. Shawn B. Crumlish, Executive Director and Board Secretary; Ms. Kim Adams; Mr. Joe Bergeron; Mr. Peter D'Alema; Mr. Curtis Doughtie; Ms. Stephanie Jones; Mr. Tony Leone; Ms. Catherine O'Brien, and Mr. Kevin O'Reilly. Additional attendees were Mr. Arthur Anderson of McGuireWoods LLP; Ms. Megan Gilliland of Kaufman & Canoles, P.C.; Deputy Secretary of Finance John Markowitz; and Mr. Ty Wellford and Mr. Zach Lucanie both of Davenport & Company, LLC.

Call to Order

Chair Donnellan called the meeting to order at 3:31 p.m.

Chair Donnellan invited those in attendance to make brief introductions.

Approval of Agenda

Chair Donnellan made a motion to approve the agenda as presented and proceed.

VFPF Series 2022B Fall Pool Pricing Results

Chair Donnellan called on Mr. Peter D'Alema for a presentation. Mr. D'Alema shared information about the fall pooled bond transaction of the Virginia Pooled Financing Program (VFPF).

VPFP Portfolio Update (Post VPFP 2022B Issuance)

Mr. D’Alema shared that the VPFP local borrower portfolio currently has \$2.44 billion in local government debt outstanding and other brief remarks regarding the composition of the portfolio.

Mr. Rolband asked whether VRA has a maximum on the level of debt it may issue. Mr. D’Alema explained that the General Assembly approves the Commonwealth Moral Obligation backed [MO] debt ceiling. He said that currently, VRA has \$900 million outstanding of its \$1.5 billion MO debt capacity. The Chair directed staff to include the MO debt capacity graph in the March presentation to the Board, which is commonly shared in June to coincide with VRA’s budget adoption.

CY2023 VPFP – Financing Calendar

Mr. D’Alema also provided the financing calendar of planned VPFP bond issuances for the next year.

Unrestricted Net Asset Guidelines

Mr. D’Alema shared information regarding the Unrestricted Net Asset Guidelines, which were adopted by the Board in 2013 and revised in 2017. He stated that the main purpose of the Unrestricted Net Assets is economic stability for VRA. Mr. D’Alema provided an overview of the components of Net Assets. He presented recommendations developed by staff based on earlier conversations with the Board.

Mr. Rolband asked about the Secretary of Finance’s view on VRA reserves and other Commonwealth reserves. Deputy Secretary of Finance Markowitz responded that VRA’s reserves are distinct. The Deputy Secretary continued that the Secretary had met with Mr. Crumlish and got comfortable with VRA’s level of reserves. Deputy Secretary Markowitz said the Secretary’s interest in the review was because the Commonwealth was also reviewing its reserves.

Chair Donnellan mentioned that the COVID-19 pandemic provided a stress test of the reserves. She noted that VRA did not see local government defaults because of the federal aid to localities during COVID. The Chair said that the reserves are worth holding for the size of the portfolio.

Mr. D’Alema explained that staff looked at FDIC [Federal Deposit Insurance Corporation] and Basel [Basel Committee on Banking Supervision] guidance for assessing its

reserve targets. Mr. Rolband mentioned he thought the proposed 1% might be too low, given the infrastructure issues at Bristol and Petersburg and the Southeastern Public Service Authority. Chairman Harris noted the balance between conservatism and maintaining a prudent resource level. He said it was good that the Secretary's Office has the background on the purpose of VRA's reserves. The Chairman and Chair Donnellan commended staff for being able to work through and prevent payment defaults in the past based on diligent and early efforts.

Mr. D'Alema stated that the goal for the March meeting is to discuss other ideas of when and how reserves may be used. Then it would be the intention, he said, for the topic to be reviewed with the annual budget. If it was the Board's direction, Mr. D'Alema said staff could bring a shelf resolution to the June meeting that would provide authorization for the use of a portion of the PRM [Portfolio Risk Management] Reserve for purposes other than mitigating a local borrower payment default.

After discussion, Mr. Rolband made a motion, seconded by Chairman Harris, to recommend approval by the VRA Board of the proposed updates to the VRA Net Asset Guidelines as presented by staff. The motion carried. Chair Donnellan thanked the team for all the work on the Unrestricted Net Asset Guidelines.

Continuing Disclosure Update

Mr. D'Alema noted that the VRA-required disclosures had been posted on the Electronic Municipal Market Access (EMMA) website. He added that VRA continues to voluntarily assist Goochland County in making its stand-alone issuance electronic posting and will post the County's audit on EMMA after received. Mr. D'Alema stated there are currently no material obligors in any of VRA's programs. Deputy Secretary Markowitz asked what a material obligor is, to which Mr. D'Alema explained the program indenture-defined thresholds.

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

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

Adjournment

Upon a motion by Mr. Rolband, seconded by Chairman Harris, Chair Donnellan adjourned the meeting at 4:26 p.m.

Shawn B. Crumlish, Executive Director
Board Secretary

APPROVED:

Barbara M. Donnellan, Committee Chair

Virginia Resources Authority
Board Meeting
Minutes of the Regular Meeting – DRAFT
Held December 13, 2022

The Board of Directors of the Virginia Resources Authority (VRA) met on Tuesday, December 13, 2022, 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. Cecil R. Harris, Jr., Chairman; Ms. Cynthia Bailey; Mr. David Branscome; Ms. Mary Bunting; Mr. Greg Campbell, Director of the Department of Aviation; Ms. Barbara Donnellan; Mr. Dwayne Roadcap for Dr. Colin Greene, State Health Commissioner; Mr. Bill Kittrell; Mr. David Richardson, State Treasurer; Mr. Michael Rolband, Director of the Department of Environmental Quality (DEQ); and Dr. Charlette Woolridge. DEQ Board designee Ms. Karen Doran was also present.

VRA staff participants included: Mr. Shawn B. Crumlish, Executive Director and Board Secretary; Ms. Kim Adams; Mr. Joe Bergeron; Mr. Peter D'Alema, Assistant Secretary; Mr. Curtis Doughtie; Ms. Stephanie Jones; Mr. Kevin O'Reilly; Mr. Will Strain; and Ms. Maisie Strawn. Additional attendees were Ms. Megan Gilliland of Kaufman & Canoles, P.C.; Mr. Ron Tillet of Raymond James Financial, Inc.; and Mr. Ty Wellford and Mr. Zach Lucanie both of Davenport & Company, LLC.

Call to Order

Chairman Harris called the meeting to order at 9:01 a.m. Chairman Harris welcomed Treasurer Richardson. Treasurer Richardson said he was pleased to attend the VRA Board meeting. He shared his confidence in his designee, Mr. Brad Jones, to attend the majority of the meetings given there are often meeting conflicts among the 11 Boards on which the Treasurer serves.

Approval of Agenda

Chairman Harris asked for a motion to approve the agenda, with a tweak to move the Executive Director's Report after the Committee Reports. Chairman Harris explained that Mr. Crumlish was attending the Major Employment and Investment (MEI) Commission upon request. Dr. Woolridge made a motion, seconded by Ms. Bunting, to approve the agenda as presented with the Chairman's suggested revision. The motion carried.

Approval of Meeting Minutes

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

- Portfolio Risk Management Committee Meeting held September 12, 2022
- Audit Committee Meeting held September 12, 2022
- Budget and Investment Committee Meeting held September 12, 2022
- Compliance Committee Meeting held September 12, 2022
- Board of Directors Meeting held September 13, 2022

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

Report of Compliance Committee

Chairman Harris next called on Chair Bunting to give the Compliance Committee Report. Chair Bunting called on Ms. Jones to present the recommendations pertaining to the review of the Loan Monitoring and Compliance Database metrics.

On behalf of the Compliance Committee, Chair Bunting made a motion to adopt the revised Loan Monitoring and Compliance Database metrics as presented by staff, including the Committee’s discussion to highlight in red the “Weak” overall risk category. Mr. Rolband seconded. The motion carried.

The Chair said she could not say enough good things about staff and commended them for their hard work and the final product. Ms. Jones thanked Chair Bunting for her leadership and for the Committee’s dedication to the review effort over the last year. Ms. Jones stated the annual Database Report would be presented to the Board in March.

Report of Portfolio Risk Management Committee

Chairman Harris called on Chair Donnellan. The Chair turned the meeting over to Mr. D’Alema who shared brief remarks on the fall pooled bond transaction. Mr. D’Alema welcomed Mr. Tillett to present the bond sale results. Mr. Tillett highlighted the partnership between VRA and Raymond James, noting the completion of 67 transactions together, 37 of which Raymond James has senior managed. He shared pricing details of the fall transaction in the context of the market. As the longest-serving member, Chair Donnellan told the Board members that VRA has operated through multiple different economic cycles, each of which presented unique challenges

to selling VRA's bonds and that VRA has worked closely with professionals to get to the point today where demand for VRA bonds is very strong from both institutional and retail buyers due to the strong credit and consistent annual issuance in the public debt markets. Mr. D'Alema thanked Mr. Tillett, Mr. Wellford, and the entire financing team.

After providing a brief portfolio update, Mr. D'Alema continued with information regarding the Unrestricted Net Asset Guidelines review. He stated that the Guidelines were presented in September for discussion and highlighted the components of the Net Assets. Mr. D'Alema shared the recommendations for reserve targets and uses of reserves. Chair Donnellan thanked staff for the outreach conducted to determine what other organizations do, as well as the outreach to her, the Chairman, and to the Secretary of Finance. She said that VRA has worked hard to get fully funded in terms of its reserve targets.

On behalf of PRMC, Chair Donnellan made a motion to approve the proposed updates to the VRA Net Asset Guidelines as presented by staff. Mr. Rolband seconded. The motion carried.

Mr. D'Alema shared information regarding VRA's continuing disclosure and the required posting on the EMMA [Electronic Municipal Market Access] website.

Report of the Executive Director

Chairman Harris called on Mr. D'Alema to give the Executive Director's Report. Mr. D'Alema first thanked Chairman Harris and Vice Chair Donnellan for representing VRA at the VACo [Virginia Association of Counties] Conference and mentioned Dr. Woolridge's attendance at the conference as well.

Mr. D'Alema then explained a noteworthy item regarding the Town of Middletown. He said that VRA learned that the Town, population 1,400, entered into a \$7.5 million contract for wastewater treatment plant improvements without adequate financing in place. VRA, Mr. D'Alema said, has a small loan balance of approximately \$952,000 to the Town outstanding in a revolving loan fund program. He said that the Town stopped providing audits to VRA several years ago, despite communication from VRA's compliance team to the Town regarding the requirement. Since the Town continued to pay debt service on the loan, Mr. D'Alema stated that VRA did not move forward with accelerating the loan due to audit non-compliance.

Mr. D'Alema continued that the Town has made several requests to VRA about what they can do to obtain VRA financing their current project. Without audited financial statements, he said there are few options. He said the Town is not eligible for the Clean Water Revolving Loan Fund because the project was not bid in accordance with federal procurement rules. Mr.

D'Alema noted that the Town is trying to get audits caught up and that the Town has communicated that there is an auditor coming to the Town offices in January.

Mr. D'Alema introduced the three new VRA analysts, Ms. Strawn, Mr. O'Reilly, and Mr. Strain. He noted with these hires that VRA is fully staffed.

Mr. Crumlish arrived at 9:47 a.m. after attending the MEI Commission. He shared that the MEI Commission voted to support a waterpark/ convention center project in Spotsylvania County for which the developer will be providing an \$885 million capital investment. Mr. Crumlish shared that the project applied to the Tourism Development Financing Program (TDFP), administered by the Virginia Tourism Corporation, to obtain a 2% portion of the sales and use taxes generated by the project. He stated that VRA does not make loans in the TDFP program, but under a memorandum of agreement provides review related to the financing aspects of program applications.

Mr. Crumlish called on Mr. Doughtie for a brief reminder regarding annual conflict of interest filings. Mr. Doughtie shared that filing reminders would be emailed to Board members around January 1st and that the filing deadline is February 1st.

Chairman Harris expressed thanks to the Executive Director and team for the report.

Old Business

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

New Business

Chairman Harris presented the proposed meeting schedule to the Board for calendar year 2023 and asked if there were any concerns. Hearing none, he noted that the proposed schedule would serve as the meeting calendar for 2023.

Chairman Harris asked if there was any other new business to come before the Board. There was none.

Public Comment

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

Adjournment

Upon a motion by Ms. Donnellan and seconded by Mr. Rolband, Chairman Harris adjourned the meeting at 9:52 a.m.

Shawn B. Crumlish, Executive Director
Board Secretary

Peter D'Alema, Director of Program Management
Assistant Secretary

APPROVED:

Cecil R. Harris, Jr., Chairman of the Board