

**VIRGINIA RESOURCES AUTHORITY
PERSONNEL COMMITTEE
MINUTES OF THE REGULAR MEETING
HELD MARCH 11, 2019**

The Personnel Committee of the Virginia Resources Authority met on Monday, March 11, 2019, in the Virginia Resources Authority Board Room, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Committee members were present and acting throughout the meeting: Mr. Reginald E. Gordon, Mr. Cecil R. Harris, Ms. Valerie Thomson on behalf of Mr. David K. Paylor, Ms. Jennifer Bowles, and Mr. Thomas L. Hasty, III. Other Board members present included: Ms. Barbara McCarthy Donnellan and Ms. Manju S. Ganeriwala. VRA Staff present were: Ms. Hamlett, Ms. Bass, Mr. D'Alema, Mr. Doughtie, Mr. Farmer and Ms. Gordon.

Mr. Gordon served as Chair of the meeting, and Ms. Hamlett as Secretary.

The meeting was called to order by Mr. Gordon at 12:31 p.m, and upon motion duly made by Ms. Bowles and seconded by Mr. Harris, the agenda as presented was approved.

Separation Benefits Review

Mr. Gordon introduced Mr. Doughtie, Director of Administration and Finance, to present to the Committee a review of VRA's separation benefits including an overview of the Workforce Transition Act and its applicability to the Executive Director.

According to Mr. Doughtie, under the Commonwealth's Workforce Transition Act (WTA), as a gubernatorial appointee the Executive Director is eligible for separation benefits. The benefit is provided only for involuntary separation and includes severance pay based on years of service (including service to the Commonwealth) and health and life insurance coverage for 12 months. The benefit ends if the employee is re-hired by the Commonwealth of Virginia. Mr. Doughtie provided that VRA's current Personnel Policies Manual states that "compensation and other benefits, including separation benefits, are determined by the Board." VRA Staff recommend an amendment to the current policy to: (1) recognize that the compensation and benefits of the Executive Director are established by the Governor through an appointment letter; (2) allow the Board to establish additional benefits consistent with the appointment letter and (3) recognize WTA eligibility for the Executive Director. VRA Staff suggest that the Committee recommend to the Board approval of the revised Personnel Policies Manual to better align VRA's policy with the Virginia Code. Discussions ensued amongst the Committee.

Motion by Ms. Bowles, seconded by Ms. Ganeriwala, to recommend approval by the Board to revise VRA's Personnel Policies Manual, Section 5-H. Motion carried.

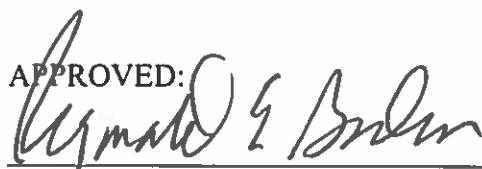
Mr. Doughtie next discussed VRA's current policy relating to separation benefits for VRA Staff. The current VRA policy gives the Executive Director the authority to determine separation benefits and includes severance provisions providing for a lump-sum severance payment based on

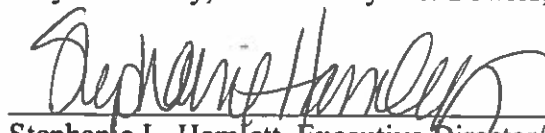
years of service and health and life insurance coverage for twelve months under COBRA. VRA Staff suggested establishing a working group composed of the Personnel Committee as well as VRA Staff to review state and local government policies to ensure its severance policy remains competitive. The working group will report its findings to the Committee at its June 2019 meeting. Ms. Hamlett added that she hopes this review would enable the Authority to encourage longevity of service among staff despite gubernatorial or Executive Director transitions, supporting continuity of operations and retention of historical knowledge. Discussions ensued amongst the Committee. Mr. Gordon recommended that VRA Staff and the Committee put dates on the calendar in the next couple of weeks to meet in person or virtually.

Adjournment

As there were no new items or any further business to come before the meeting, the meeting adjourned at 12:49 p.m. No public comment. Motion by Mr. Hasty, seconded by Ms. Bowles, to adjourn.

APPROVED:


Reginald E. Gordon, Chairman


Stephanie L. Hamlett, Executive Director/
Board Secretary

**VIRGINIA RESOURCES AUTHORITY
PORTFOLIO RISK MANAGEMENT COMMITTEE
MINUTES OF THE REGULAR MEETING
HELD MARCH 11, 2019**

The Portfolio Risk Management Committee of the Virginia Resources Authority met on Monday, March 11, 2019, in the Virginia Resources Authority Board Room, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Committee members were present and acting throughout the meeting: Ms. Barbara McCarthy Donnellan, Ms. Manju S. Ganeriwala, Ms. Valerie Thomson on behalf of Mr. David K. Paylor and Mr. Thomas L. Hasty, III. Other Board members present included: Ms. Jennifer Bowles and Mr. Cecil R. Harris. Also present were: Mr. Arthur Anderson of McGuireWoods LLP, Mr. Ty Wellford and Mr. Mitchell Crowder from Davenport & Company LLC, and Mr. Howard Eckstein from the Virginia Department of Health. VRA Staff present were: Ms. Hamlett, Ms. Adams, Mr. Crumlish, Mr. D'Alema, Mr. Doughtie, Mr. Farmer, Ms. Gordon, Mr. Murray and Ms. Pearson.

Ms. Donnellan served as Chair of the meeting, and Ms. Hamlett as Secretary.

The Chair called the meeting to order at 1:00 p.m. and asked if there were any additions or deletions to the agenda to which there were none. There being no amendments to the agenda, the agenda was accepted as presented.

Spring 2019A Virginia Pooled Financing Program (VPFP)

Mr. D'Alema, Director of Program Management, presented to the Committee an overview of the anticipated 2019A VPFP spring pool and related local government participants. He noted that VRA received applications from seven local governments totaling approximately \$61.3 million in requested proceeds and spanning six of VRA's authorized project areas. Two applicants have since withdrawn their applications but may participate in a later VPFP transaction. Due diligence calls were completed in February. One VPFP 2019A loan application for Fauquier County falls outside of VRA's staff interpretation of underwriting guidelines and therefore staff is requesting both Committee and Board approval to move forward in the spring pool for that loan. The largest loan applicants in the 2019A VPFP spring pool are the Town of Front Royal and Warren County, both requesting proceeds in excess of \$10 million; however, neither loan is moving forward in the spring 2019 transaction. The Town of Front Royal loan application is expected to move to a subsequent VPFP pool, and Warren County plans to move forward with a direct placement through a commercial bank. According to Mr. D'Alema, certain bonds from the VPFP Series 2008A and 2010C (Taxable Build America Bonds) issuances are strong refunding candidates for the spring 2019A VPFP pool. The Tax Cuts and Jobs Act of 2017 eliminated advance refunding of tax-exempt bonds, but Taxable Build America Bonds can be advance refunded on a tax-exempt basis under certain conditions. In February, VRA Staff contacted localities with local loans funded by the VPFP 2010C and the VPFP 2008A issuances regarding strong refunding savings.

Mr. Jon Farmer, Senior Program Manager, presented to the Committee the Fauquier County loan request, which is the only action item for the Committee and the Board for the VPFP spring pool. According to Mr. Farmer, Fauquier County is requesting \$8,820,000 in proceeds to finance the Central Sports Complex for a total project cost of \$13,241,366, with additional proceeds from County contributions and a potential Land and Water Conservation Fund (LWCF) grant. The Central Sports Complex will sit on 74.5 acres of County-owned land in central Fauquier County and will consist of six general use fields and a variety of other active use facilities. Traditionally, in interpreting VRA's underwriting guidelines, staff would conclude that the Central Sports Complex is considered non-essential collateral; however, the County has indicated that certain provisions required to receive LWCF grant funding such as anti-conversion, punitive action and required commitments cause the property to be considered essential by the County. According to Mr. Farmer, in terms of collateral value, the County will insure the complex for no less than 75% of loan value, which meets VRA's typical lease collateral guideline requirement for collateral value. Additionally, the insured value will likely be for construction costs of about \$10 million, which will be much higher than loan value due to other funding sources. Mr. Farmer showed the Committee the financial stability of the County over the five-year period through fiscal year 2018. The County experienced unrestricted cash of 4.25x general fund debt service and experienced increased revenues in each review year with overall growth in the County's fund balance. VRA Staff analyzed this loan request under the special fund revenue guidelines and found that this loan request met all guidelines except the Moody's credit rating. Due to the fact that the County is rated 'AA+/AAA' by S&P and Fitch and the fact that it has strong or adequate tax-supported debt guideline ratios including its 7x state aid coverage, VRA Staff recommend both Committee and Board approval of the Fauquier County loan application. Mr. D'Alema added that VRA is waiting for confirmation from the Federal Park Service that the County can pledge the property due to the federal funding from the Park Service. Discussions ensued amongst the Committee regarding the special fund guidelines and what is considered essential collateral.

Motion by Ms. Donnellan, seconded Ms. Ganeriwala, to recommend approval by the full Board of the loan to Fauquier County in the VPFP Series 2019A spring pool to be secured by a leasehold interest in the Central Sports Complex, subject to confirmation that the park property can be legally pledged. Motion carried.

Mr. D'Alema next shared the financing schedule for the 2019A VPFP spring pool with the Committee stating that VRA is anticipating a competitive sale with refunding being a large part of the transaction. The estimated par amount of the issuance is approximately \$50 million, and the transaction is scheduled to close May 22. VRA Staff will follow up with the Committee at the next meeting in June 2019.

2019B VPFP (Summer Issuance)

Mr. D'Alema provided the Committee with an overview of the 2019B VPFP summer pool. Based on anticipated local government borrower demand, a summer 2019 bond issue will likely be offered. He noted that interest rates continue to offer some additional current refunding opportunities to localities and the summer schedule fits well with new money construction schedules. Several existing VPFP loans from the VPFP Series 2009A and 2009B issuances are current refunding candidates. Mr. D'Alema outlined the 2019B VPFP financing schedule noting

that credit work will be done May through June with the transaction expected to price and close by August 14.

VPFP Portfolio Update

Mr. D'Alema provided a summary of the VPFP portfolio post Series 2018C Bonds issuance highlighting that the portfolio totaled \$2.42 billion in total borrower local loans outstanding with 138 local governments borrowers. He noted that 76.2% of the portfolio has at least an 'A-' assigned or enhanced rating from S&P, and 82.5% of the portfolio has at least 'A1' assigned or enhanced rating from Moody's. The top 10 borrowers represent 38.5% of the overall VPFP portfolio. The overall concentration in the top 10 VPFP borrowers declined from approximately 44% in fiscal year 2012 to approximately 38.5% currently. The largest borrower (City of Suffolk) is currently 7.99% of the overall VPFP portfolio, and the largest borrower has remained below 9% of the overall portfolio over the last seven years.

VRA State-Aid Intercept Procedures

Mr. D'Alema next discussed with the Committee VRA's state-aid intercept procedures. In late 2018, VRA Staff worked to establish formal state-aid intercept procedures to memorialize the process for requesting and obtaining state-aid funds in the event of a state-aid eligible local government payment default. VRA collaborated with the Virginia Department of Treasury, VRA's bond counsel and financial advisor to formalize the procedures which complement VRA's existing late payment procedures. The state-aid intercept procedures provide good preparation for quick staff action in the event of an unanticipated payment default. Formalized procedures also assist rating agencies in assessing this valuable credit enhancement as part of VRA's programmatic ratings. Mr. D'Alema noted that the detailed state-aid intercept procedures are found in Appendix A to the package and highlighted a few to the Committee including: (1) contact with the local borrower not later than five days past a local obligation payment due date; (2) assessment of a late payment penalty; (3) no later than 15 days after the payment due date, notification to the Secretary of Finance that an affidavit for state-aid will be forthcoming; (4) no later than 10 business days prior to the payment of VRA's bonds, an affidavit regarding non-payment delivered to the appropriate Virginia officials; and (5) no later than 5 business days prior to the payment of VRA's bonds, if non-payment continues, the appropriate government official will direct the State Comptroller to pay all sums withheld to VRA to cure non-payment. He noted that this allows for a total of 30 days in between when the local payment is due and when the VRA payment is due. S&P is in the process of reviewing VRA's state-aid intercept methodology and criteria.

Discussions ensued regarding flexibility of the programs to work with borrowers to ensure payments are received. Mr. D'Alema added that these intercept procedures are meant for emergency situations. Ms. Ganeriwala asked whether the borrower must notify VRA if the payment will be late to which Mr. D'Alema responded that there is no requirement to notify VRA, but VRA encourages borrowers to do so. Mr. Wellford from Davenport & Company LLC added that S&P is familiarizing itself with these intercept procedures and this pre-default mechanism could result in stronger credit ratings for VRA. Ms. Hamlett added that VRA has a draft affidavit on stand-by in preparation for a non-payment default. She noted that a draft affidavit was presented to the Secretary of Finance for the City of Petersburg when they were having financial

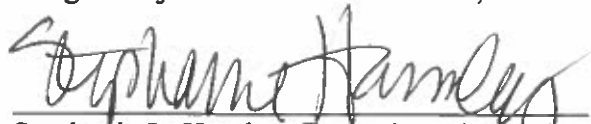
difficulties, but that Petersburg made the payment early. Ms. Donnellan thanked VRA Staff for its work in drafting the state-aid intercept procedures.

Loan Monitoring and Compliance Update

Mr. Doughtie presented the Committee with an update on VRA's loan monitoring and compliance. VRA Staff completed its report on VRA's loan monitoring and compliance database, which shows the status of the portfolio as of fiscal year end 2017. Mr. Doughtie distributed the report to the Committee members and explained the categories upon which the borrowers are rated. He added that most fiscal year 2018 audits were due to VRA by December 31, 2018 and review efforts are underway. Mr. Doughtie presented an analysis of each program of the portfolio and highlighted the percentages of borrowers rated green, yellow, red and grey. He noted that the trend line between fiscal year 2010 and fiscal year 2017 shows an increase in the percentage of green borrowers, a decrease in the percentage of yellow borrowers with the percentage of red and grey borrowers staying approximately the same. He added that the percentage of red borrowers will never be 0% due to relative evaluation criteria. In terms of new borrowers to VRA, there were 16 local borrowers from fiscal year 2017 to present with 92% of the loan volume rated green. He then discussed the portfolio composition by borrower type, noting that Town borrowers represent the weakest portion of the portfolio, but are only 7% of the entire portfolio loan volume. Mr. Doughtie next discussed with the Committee borrowers rated red with the largest balances outstanding including Goochland County followed by the Bristol Virginia Utilities Authority (that debt is now defeased from the VPFP portfolio) and the City of Petersburg. He concluded that VRA Staff continue monitoring and looking for ways to improve portfolio credit quality over time. Ms. Donnellan thanked Mr. Doughtie for his presentation and added that there has been a positive shift since 2017 in the reduction of red borrowers.

Adjournment

There were no new items or any further business to come before the meeting. Motion by Ms. Donnellan, seconded by Mr. Hasty, that the meeting be adjourned. Motion carried, and the meeting adjourned at 1:46 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 MARCH 12, 2019**

The Board of Directors of the Virginia Resources Authority met on Tuesday, March 12, 2019, in the Virginia Resources Authority Board Room, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Board members were present and acting throughout the meeting: Mr. Thomas L. Hasty, III, Ms. Jennifer Bowles, Ms. Mary B. Bunting, Ms. Barbara McCarthy Donnellan, Mr. Reginald E. Gordon, Mr. Cecil R. Harris, Jr., Mr. Mark K. Flynn, Ms. Valerie Thomson on behalf of Mr. David K. Paylor, Ms. Manju S. Ganeriwala (arrived at 9:19 a.m.) and Mr. Steve Pellei on behalf of Mr. Dwayne Roadcap. Others present included: Mr. Arthur Anderson of McGuireWoods LLP, Mr. Ty Wellford and Mr. Mitchell Crowder from Davenport & Company, LLC, and Mr. Howard Eckstein from the Virginia Department of Health. VRA Staff present included: Ms. Hamlett, Ms. Adams, Ms. Bass, Mr. Bergeron, Mr. D'Alema, Mr. Doughtie, Mr. Farmer, Ms. Gordon, Mr. Murray and Mr. Panos.

Mr. Hasty served as Chairman of the meeting, and Ms. Hamlett as Secretary.

The Chairman called the meeting to order at 9:02 a.m., and upon motion duly made by Ms. Donnellan and seconded by Ms. Bowles, the agenda as presented was approved.

The Board considered the next item on the agenda, which was approval of the minutes. Upon motion duly made, seconded and carried by the affirmative votes of all of the Directors noted above as being present, the minutes of the Portfolio Risk Management Committee meeting on January 8, 2019, and a regular meeting of the Board of Directors held on January 8, 2019, were approved as previously distributed. Upon motion duly made the minutes were approved as presented.

Executive Director Report

Ms. Hamlett, Executive Director, presented the Executive Director's Report to the Board and encouraged the Board to review it. She noted that the next Board meeting is June 10 and June 11. She highlighted certain elements of her report including the status of the Natural Bridge State Park project under the Clean Water Revolving Loan Fund. On February 5, 2019, Ms. Hamlett and VRA Staff met with Department of Conservation and Recreation (DCR), the State Park Director and other DCR staff regarding the partnership with Virginia Conservation Legacy Fund (VCLF) at Natural Bridge State Park. While VCLF is current in its loan payments under its outstanding loan as restructured, VCLF has not fulfilled its commitments made to DCR under its Management Agreement to provide funds for capital needs at Natural Bridge. VRA provided a letter to VCLF outlining VRA's, DCR's and DEQ's concerns along with a request to meet and discuss these concerns.

Ms. Hamlett congratulated Mr. Crumlish on becoming co-chair of the EPA Committee for Council of Infrastructure and Financing Authorities. Through participation on this committee, VRA has learned about the administrative structure for Drinking Water and Clean Water programs in other states. As VRA learns more about the structures of these other programs in comparison to the Commonwealth of Virginia's programs, VRA Staff will share these findings with the Board in the event any alternative approaches might be beneficial to the Commonwealth's Drinking Water and Clean Water programs, which the Board agreed was worthwhile.

Committee Reports

Personnel Committee

Mr. Gordon presented an update on the March 11, 2019 Personnel Committee meeting to the Board. He noted that under the Commonwealth's Workforce Transition Act (WTA), the Executive Director, as a gubernatorial appointment, is eligible for separation benefits. Under the WTA, the benefit is provided only for involuntary separation and includes severance pay based on years of service and health and life insurance coverage for 12 months. The benefit ends if the employee is re-hired by the Commonwealth of Virginia. Mr. Gordon continued that VRA's current Personnel Policies Manual requires that the Board determine compensation and other benefits, including separation benefits. VRA Staff recommend an amendment to the current policy to: (1) recognize that compensation and benefits of the Executive Director are established by the Governor through an appointment letter, (2) allow the Board to establish additional benefits consistent with the appointment letter and (3) recognize the WTA eligibility for the Executive Director. Mr. Gordon concluded that the Personnel Committee has recommended that the Board approve the revised Personnel Policies Manual to better align the VRA's policy with the Virginia Code.

Motion by Mr. Gordon, seconded by Ms. Thomson, to revise VRA's Personnel Policies Manual, Section 5-H in accordance with how it was presented to the Board. Motion carried.

Mr. Gordon also updated the Board on the separation benefits for VRA Staff. He noted that the Personnel Committee and VRA Staff agreed to form a working group to review state and local government policies to ensure that its severance policy remains competitive. The working group will report its findings to the Personnel Committee at its June 2019 meeting.

Portfolio Risk Management Committee

Ms. Donnellan, on behalf of the Portfolio Risk Management Committee (PRMC), asked Mr. D'Alema, Director of Program Management, to update the Board on the matters discussed in the PRMC meeting yesterday.

Spring 2019A Virginia Pooled Financing Program (VPFP)

Mr. D'Alema presented to the Board an overview of the anticipated 2019A VPFP spring pool transaction and participants. He noted that VRA received applications from seven local governments totaling approximately \$61.3 million in requested proceeds and spanning six of

VRA's authorized project areas. Two applicants have since withdrawn their applications but expect to participate in a later VPFP transaction. Due diligence calls were completed in February. One VPFP 2019A loan application for Fauquier County was presented to the Board for approval to move forward in the spring pool because it was unclear whether the sport complex property serving as security was or was not an essential project. The largest loan applicants in the 2019A VPFP spring pool are the Town of Front Royal and Warren County, both requesting proceeds in excess of \$10 million; however, neither loan is moving forward in the spring 2019 transaction. The Town of Front Royal loan application is expected to move to a subsequent VPFP pool, and Warren County plans to move forward with a direct placement through a commercial bank. According to Mr. D'Alema, certain bonds from the VPFP Series 2008A and 2010C (Taxable Build America Bonds) issuances are strong refunding candidates for the spring 2019A VPFP pool. The Tax Cuts and Jobs Act of 2017 eliminated advance refunding of tax-exempt bonds, but Taxable Build America Bonds can be advance refunded on a tax-exempt basis under certain conditions. In February, VRA Staff contacted localities with local loans funded with the VPFP 2010C and the VPFP 2008A proceeds regarding strong refunding savings. The VPFP 2008A borrower was not interested.

Ms. Ganeriwala joined the meeting at 9:19 a.m.

Mr. D'Alema next introduced Mr. John Farmer, Senior Program Manager, to provide the Board with an overview of the Fauquier County loan request, which is the only action item for the Board for the VPFP spring pool. According to Mr. Farmer, Fauquier County is requesting \$8,820,000 in proceeds for a total project cost of \$13,241,366 to finance the Central Sports Complex. There will be additional proceeds from County contributions and a potential Land and Water Conservation Fund (LWCF) grant. The Central Sports Complex will sit on 74.5 acres of County-owned land in central Fauquier County and consists of six general use fields and a variety of other active use facilities. According to Mr. Farmer, the County will insure the complex for no less than 75% of loan value, which meets VRA's typical lease collateral guideline requirement for collateral value but it was unclear whether the property is essential or nonessential under VRA guidelines. The insured value will likely be for construction costs at about \$10 million, which will be much higher than value due to other funding sources. Mr. Farmer showed the Board the financial stability of the County over the five-year period through fiscal year 2018. The County experienced unrestricted cash 4.25x general fund debt service and experienced revenues in each review year with overall growth in County's fund balance. VRA Staff analyzed this loan request under the special fund revenue guidelines and found that this loan request met all guidelines except the Moody's credit rating. The County is rated AA+/AAA by S&P and Fitch and overall is financially strong in all tax-supported debt guideline ratios and its state-aid coverage has historically been strong. VRA Staff recommended PRMC approval of this loan request, and the PRMC has recommended the loan for Board approval.

Motion by Ms. Donnellan, seconded by Ms. Bowles, to approve a loan to Fauquier County in the VPFP Series 2019A to be secured by a leasehold interest in the Central Sports Complex, subject to confirmation that the park property can be legally pledged. Motion carried.

Mr. D'Alema next shared the financing schedule for 2019A VPFP spring pool. VRA is anticipating a competitive sale due to refunding being a large part of the transaction. The estimated

par amount of the issuance is \$50 million, and the transaction is scheduled to close on May 22. VRA Staff will provide an update to the Board at the next meeting in June 2019.

2019B VPFP (Summer Issuance)

Mr. D'Alema provided the Board with an update on the 2019B VPFP summer pool. Based on anticipated local government borrower demand, a summer 2019 bond issue will likely be offered. He noted that interest rates continue to offer some additional current refunding opportunities to localities and the summer schedule fits well with new money construction schedules. Several existing VPFP loans from the VPFP Series 2009A and 2009B issuance are current refunding candidates. Mr. D'Alema outlined the 2019B VPFP financing schedule noting that credit work will be done May through June with the transaction expected to price and close by August 14.

VPFP Portfolio Update

Mr. D'Alema provided a summary of the VPFP portfolio post Series 2018C Bonds issuance highlighting that the portfolio totaled \$2.42 billion in total borrower local loans outstanding with 138 local governments borrowers. He noted that 76.2% of the portfolio has at least an 'A-' assigned or enhanced rating from S&P, and 82.5% of the portfolio has at least 'A1' assigned or enhanced rating from Moody's. The top 10 borrowers represent 38.5% of the overall VPFP portfolio. The overall concentration in the top 10 VPFP borrowers declined from approximately 44% in fiscal year 2012 to approximately 38.5% currently. The largest borrower (City of Suffolk) is currently 7.99% of the overall VPFP portfolio, and the largest borrower has remained below 9% of the overall portfolio over the last seven years.

VRA State-Aid Intercept Procedures

Mr. D'Alema next discussed with the Board VRA's state-aid intercept procedures. In late 2018, VRA Staff worked to establish formal state-aid intercept procedures to memorialize the process for requesting and obtaining state-aid funds in the event of a state-aid eligible local government payment default. VRA collaborated with the Virginia Department of Treasury, VRA's bond counsel and financial advisor to formalize the procedures which complement VRA's existing late payment procedures. The state-aid intercept procedures provide good preparation for quick staff action in the event of an unanticipated payment default. Formalized procedures also assist rating agencies in assessing this valuable credit enhancement as part of VRA's programmatic ratings. Mr. D'Alema noted that the detailed state-aid intercept procedures are found in Appendix A to the package and highlighted a few to the Board including: (1) contact with the local borrower not later than five days past a local obligation payment due date; (2) assessment of a late payment penalty; (3) no later than 15 days after the payment due date, notification to the Secretary of Finance that an affidavit for state-aid will be forthcoming; (4) no later than 10 business days prior to the payment of VRA's bonds, an affidavit regarding non-payment delivered to the appropriate Virginia officials; and (5) no later than 5 business days prior to the payment of VRA's bonds, if non-payment continues, the appropriate government official will direct the State Comptroller to pay all sums withheld to VRA to cure non-payment. He noted that this allows for a total of 30 days in between when the local payment is due and when the VRA payment is due. S&P is in

process of reviewing VRA's state-aid intercept methodology and criteria, and VRA hopes to receive a higher credit quality for its portfolio. Discussions amongst the Board ensued regarding when this information would be made public, whether these procedures also apply to direct loans, and the effect of the new material event notices under Rule 15c2-12 and potential distress situations.


Loan Monitoring and Compliance Update

Mr. Doughtie presented the Board with an update on VRA's loan monitoring and compliance review. VRA Staff completed its report on VRA's loan monitoring and compliance database, which shows the status of the portfolio as of fiscal year end 2017 and noted that the methodology has not changed since last year. He stated that fiscal year 2018 audits were generally due to VRA by December 31, 2018 and review efforts are underway. Mr. Doughtie briefly discussed with the Board the various programs and provided an update on the total portfolio. The trend line between fiscal year 2010 and fiscal year 2017 shows an increase in the percentage of green borrowers, a decrease in the percentage of yellow borrowers with the percentage of red and grey borrowers staying the same. He added that the percentage of red borrowers will never be 0% due to relative evaluation criteria. Mr. Doughtie next discussed with the Board the red borrowers with the largest balances outstanding with Goochland County at the top of the list followed by Bristol Virginia Utilities Authority and the City of Petersburg. The largest red borrower's maximum annual debt service is less than the PRM Reserve, mitigating risk of non-payment. He concluded that VRA Staff continue monitoring and looking for ways to improve portfolio credit quality over time.


Adjournment

There was no old business to come before the Board. Ms. Bass mentioned that the Governor's Infrastructure Financing Conference is scheduled for April 3-5 in Roanoke, Virginia. Governor Northam is expected to speak at the conference on April 4th.

Motion by Ms. Bowles, seconded by Ms. Ganeriwala, that the meeting be adjourned. Motion carried, and the meeting adjourned at 9:49 a.m.


Stephanie L. Hamlett, Executive Director/
Board Secretary

APPROVED:


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