

**VIRGINIA RESOURCES AUTHORITY**  
**PORTFOLIO RISK MANAGEMENT COMMITTEE MEETING**  
**MINUTES OF THE REGULAR MEETING**

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

**Committee Members Present**

Barbara McCarthy Donnellan, Chair  
David Branscome  
Manju Ganeriwala  
Valerie Thomson, on behalf of David K. Paylor  
Thomas L. Hasty, III, Ex Officio

**Committee Members Absent**

None.

**Other Board Members Present**

Jennifer Bowles  
Robert Payne, on behalf of Marissa J. Levine

**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  
Stephanie Jones, Senior Program Manager/Compliance Officer  
Catherine O'Brien, Accounting Manager  
Andrea Pearson, Financial Services Manager

**Others Present**

Suzanne Long, Haneberg Hurlbert, PLLC, General Counsel  
Howard Eckstein, Virginia Department of Health, Office of Drinking Water  
Arthur Anderson, McGuireWoods, LLP  
Ty Wellford, Davenport & Company, LLC  
Mitchell Crowder, Davenport & Company, LLC  
Leah Schubel, Davenport & Company, LLC  
Jack Berry, Robert Bobb Group  
Jonathan Kim, Siebert Cisneros Shank & Co., L.L.C.

### **Call to Order**

The meeting was called to order by Mrs. Barbara McCarthy Donnellan, Chair, at 2:00 p.m.

Mrs. Donnellan welcomed Ms. Jennifer Bowles as a new member to the VRA Board of Directors. Ms. Bowles is a member of the Martinsville, Virginia City Council and is the Community Outreach Facilitator at New Heights Community Support and she is also the Executive Director of the New Heights Foundation. In addition, Mrs. Donnellan acknowledged Ms. Jean Bass as the Acting Executive Director of VRA, and Ms. Suzanne Long of the Haneberg Hurlbert PLLC, who will be providing General Counsel services for VRA during the September 11, 2017 Portfolio Risk Management Committee meeting and the VRA Board of Directors meeting on September 12, 2017.

### **Approval of Agenda**

There were no modifications to the agenda.

Motion by Mr. Branscome, seconded by Ms. Ganeriwala, to approve the agenda, as presented.

Motion carried.

### **Portfolio Risk Management Committee**

City of Petersburg – CWRLF Request: Mr. Shawn Crumlish, Director of Financial Services, explained how the loan request to the Clean Water Revolving Loan Fund (CWRLF) originated. He noted that VRA co-manages the CWRLF program with the Department of Environmental Quality (DEQ) and is responsible for reviewing the credit worthiness of the applicants and establishing additional loan terms. Mr. Crumlish stated that because of Petersburg's financial challenges and its existing financial exposure with VRA, the Credit Committee crafted loan terms for Board consideration and approval. He asked Ms. Andrea Pearson, Financial Services Manager, to present the credit for the requested loan.

Ms. Pearson provided an extensive presentation stating that the loan request was approved by DEQ in the amount of \$750,000, with \$300,000 of that amount in the form of a principal forgiveness loan. There are many reasons, Ms. Pearson stated, that the loan should not be granted if historical financial data is taken into consideration, particularly in terms of liquidity. However, she said the City has taken some initial steps toward improving its financial situation with the assistance of consultants, the Robert Bobb Group. She continued that as the result of certain spending cuts and revenue enhancements, debt service coverage in the public utility fund improved based on projected FY2017 performance vs. actual FY2016 performance (though coverage remained well below 1.0x) and the general fund is almost breaking even. However, she said, the City's unassigned fund balance is weak, with a negative \$7.7 million in FY2016. Ms. Pearson provided a list of strengths and challenges pertaining to Petersburg, noting that the VRA staff is recommending moving forward with the loan with water and wastewater revenues (including a 1.25x utility fund

debt service coverage requirement) and general obligation as security. She highlighted covenants and conditions recommended by the staff for approval of the loan, including (1) optional redemption after five years, (2) debt service reserve fund on the proposed loan and another CWRLF loan that does not currently have a local debt service reserve fund, (3) VRA consent for additional utility revenue or general obligation debt (GO consent may be released subject to conditions approved by VRA's Executive Director), (4) unaudited utility fund financial statements provided to VRA within 60 days of the City's fiscal year end during the life of the loan, (5) parity provisions that include a one-year look-back and two year look-forward test, and (6) prior to loan closing Petersburg must provide VRA with evidence that it is current on its obligations to the Virginia Retirement System, the South Central Wastewater Authority, and the Appomattox River Water Authority.

In response to Board inquiry, Ms. Pearson stated that there is concern regarding citizen affordability with the implementation of future utility rate increases needed to improve the City's financial situation. In addition, she stated Petersburg is implementing some positive changes and is striving to improve the utility billing system. There was additional discussion on whether Petersburg can collect on past utility debt. Ms. Pearson shared steps taken by the Robert Bobb Group, the Commonwealth of Virginia and others to improve Petersburg's financial situation. There was extensive discussion relative to the possible sale of Petersburg's utility system to defease debt.

Mr. Jack Berry, Robert Bobb Group, stated that the City of Petersburg has gone through a series of challenges, some of it relating to poor City management being the cause of its financial issues. The Robert Bobb Group, he said, recommended to the Petersburg City Council that the City's utility system be sold as its sale will provide the opportunity for the City to pay off its debt and establish the reserve fund that it needs. However, he explained that there have been objections relative to a private utility system and sale of the system, at this point, is not likely. Mr. Berry expressed appreciation for VRA support and the thoroughness and fairness of VRA's review of the City's financial position. If there are any concerns, he said, the Robert Bobb Group does not like the covenant requiring express written consent of VRA for additional revenue and/or general obligation debt though he understands the rationale for the covenant. Discussion followed, with Mr. Crumliss suggesting that staff draft less restrictive language as it relates to VRA consent for additional general obligation debt issued by the City. The proposed language, he said, could be similar to the consent provision in the 2014 loan VRA made to the City as part of the pooled loan program.

Motion by Ms. Donnellan, and seconded by Mr. Hasty, that the Committee recommend approval to the full VRA Board of the loan request by the City of Petersburg from the CWRLF in the amount of \$450,000 based on terms and conditions detailed by staff. The VRA staff was directed to work with its Acting Executive Director and City of Petersburg to revise the provision relating to VRA consent for additional general obligation debt.

Motion carried.

Natural Bridge State Park: Mr. Shawn Crumlish, Director of Financial Services, stated that the November 1 debt payment in the amount of \$323,818 is available. Since the September 2016 opening of the 37<sup>th</sup> Virginia State Park, he said there have been over 150,000 visitors. There was some concern regarding the low level of income being generated through the slow months. However, he stated it is believed that enough funds will be generated in August, September, and October to carry the park operationally through the slow months. The Commonwealth's General Fund is providing \$120,000 to fund the park ranger. Mr. Crumlish further stated that the long-term concern for Natural Bridge is the amount of deferred maintenance and capital projects that are needed. The Virginia Conservation Legacy Fund (VCLF) agreed through an agreement last year with DCR to provide \$500,000 over time from sources other than Natural Bridge to support maintenance needs. However, to date, VCLF has only provided \$100,000.

2017B Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, stated that VRA sold \$39.165 million in the VPFP summer pool, funding five loans on behalf of five local government borrowers, and representing four of VRA's project areas. One loan required funding with taxable bonds. He continued that about 70% of the par was refunding and 30% was new money. The rates, Mr. D'Alema said, continue to be attractive for borrowers with a True Interest Cost (TIC) of 2.876% and an All-in TIC of 3.129%. The Infrastructure Revenue Bonds (tax-exempt) and all taxable bonds were sold on a negotiated basis and the State Moral Obligation Bonds (tax-exempt) were offered by competitive bid. Mr. D'Alema added that the underwriters for the Infrastructure Revenue Bonds were Siebert Cisneros Shank & Co. L.L.C., Senior Manager; and Morgan Stanley, Co-Manager. Raymond James provided the lowest TIC (2.477%) for the State Moral Obligation Bonds, thus winning the competitive bid.

Mr. Jonathan Kim, Siebert Cisneros Shank & Co. L.L.C., stated that he appreciated the opportunity to work with VRA, noting that the VRA staff makes his job easy. In addition, he said that VRA's financial advisor and bond counsel also helped in making the transaction a success.

Mr. D'Alema continued that \$27.095 million of the transaction was VRA refunded debt and the total net present value savings exceeded \$2.78 million. He shared a chart showing each refunded borrower, the final loan par amount, VRA project areas, description, term and security. When asked why only a portion of the summer pool bonds were sold competitively, Mr. D'Alema explained that VRA historically has a challenge in placing all of the senior-lien Infrastructure Revenue Bonds and the junior-lien State Moral Obligation Revenue Bonds on the sale date when both are being offered by one negotiated underwriter syndicate. Institutional bond buyers would tend to have stronger interest in the senior-lien bonds, resulting in sometimes significant unsold balances from the junior-lien State Moral Obligation Revenue Bonds that would ultimately be underwritten at wider than historic average spreads to the senior-lien bonds. VRA and its financial advisor tried multiple approaches over the past five to seven years to improve the pricing of the junior-lien bonds, ultimately finding great success in offering State Moral Obligation Revenue Bonds on a competitive basis, which allows multiple firms to focus their singular attention on purchasing the junior-lien bonds at the lowest possible true interest cost and placing the bonds with a different bond buyer segment than is being focused on by the negotiated sale syndicate.

In concluding the discussion on the summer 2017 VFPF pool, Mr. D'Alema further explained that two of the five borrowers in the summer pool borrowed funds for new construction projects, while three of the five borrowers in the summer pool borrowed funds to refinance existing debt for debt service savings.

Virginia Pooled Financing Program Portfolio: Mr. Peter D'Alema, Director of Program Management, stated that after the summer pool, there is \$2.438 billion in total borrower local loans outstanding. The top 10 borrowers represent 35.88% of the overall VFPF portfolio and the largest borrower is 7.45% of the overall VFPF portfolio. There is a good amount of diversity in the pool overall, which is noted in the rating agency reports related to the VFPF.

Bristol Virginia Utilities Authority (BVUA): Mr. Peter D'Alema, Director of Program Management, stated that VRA continues to monitor the developments relating to BVUA and the pending sale of its Optinet System to Sunset Digital. BVUA obtained the final approval of an operator agreement from the Virginia Coalfield Coalition which was necessary for the sale of the Optinet System. VRA is optimistic that the sale will take place. The closing of the sale is tentatively set for November 2017. He noted that the Optinet System sale will allow BVUA to pay off its entire VFPF Series 2010C debt. Mr. D'Alema concluded that interim updates relative to the sale will be provided to the Committee.

City of Petersburg: Mr. Peter D'Alema, Director of Program Management, stated that the City of Petersburg paid off its VFPF Series 2014C loan, thereby reducing its VFPF exposure. The City issued general obligation, proceeds from which were used to defease and/or restructure much of its existing debt, including the VFPF Series 2014C loan.

Town of Pocahontas: Mr. Peter D'Alema, Director of Program Management, stated that Pocahontas has one loan outstanding with VRA through the VFPF Series 2005B bond issue, which is a fairly small loan. He explained that rising water production costs, coupled with a declining user base since 2005, has challenged the Town's finances. In addition, he said the Town's water treatment plant has reached the end of its useful life. The Town's water treatment plant is scheduled to be taken offline once Tazewell County PSA completes a project that will connect Pocahontas to the PSA's system. This will produce water for the Town at 50% of the Town's current costs. He continued that the Tazewell County Board of Supervisors agreed to loan Pocahontas the funds to meet the October 1, 2017 payment to VRA to bridge the Town's cash flow until the PSA project is completed, at which time PSA staff will manage the Pocahontas water system. The project completion date is expected to occur next year.

2017C Virginia Pooled Financing Program (VFPF): Mr. Peter D'Alema, Director of Program Management, stated that the eight applications and nine loan requests from potential borrowers for consideration in the fall 2017C VFPF exceed \$84 million in requested proceeds. Two loans have since withdrawn and one late loan request has been added. The requests cover six of VRA's authorized project areas. Due diligence calls were conducted with applicants through August. He continued that VRA staff have contacted eligible VRA refunding candidates with at least 3% net present value savings for possible inclusion in the fall pool. He shared the initial applicant list that

included the borrower, requested proceeds, VRA project area, program description, and security for each loan request, noting that the Appomattox River Water Authority and the Town of Big Stone Gap are the two localities that withdrew their application. Five of the new exposure loan applications exceed \$10 million in proceeds requested, one of which is Chesterfield County. He explained that the Chesterfield County loan request requires PRMC and VRA Board approval due to the County's existing special fund revenue pledge exposure that is already over \$25 million. All other loan requests meet existing underwriting guidelines.

Appomattox River Water Authority (ARWA): Mr. D'Alema explained that Appomattox River Water Authority withdrew from the fall pool, but there is a possibility that ARWA will return in the future. The loan request was in the amount of \$16.1 million to finance four critical water system projects and to possibly refinance a prior loan. He stated that ARWA is a wholesale provider of water treatment services in central Virginia, serving five localities including Petersburg. The loan request, as approved by VRA's Credit Committee, would be guaranteed by all member jurisdictions except Petersburg, and the security would include an ARWA revenue pledge plus a moral obligation pledge of the other four jurisdictions. He continued that in the event of nonpayment by Petersburg, the remaining four member jurisdictions have the credit profile to provide revenues necessary to meet the debt service. However, the jurisdictions have expressed concern relative to supporting Petersburg. Until a solution is reached with the jurisdictions, ARWA will not be moving forward.

Chesterfield County: Mr. D'Alema stated that Chesterfield County has requested \$11.2 million in funding to finance three projects to be secured by a special revenue pledge under VRA's Appropriation Only Backed Underwriting Guidelines. The requested financing may put the County's Appropriation-Only exposure over \$35 million; and therefore, Portfolio Risk Management Committee (PRMC) and Board approval is required. He explained that the County's General Obligation credit rating is very strong with all three rating agencies; financial performance and state-aid coverage are strong; liquidity is very strong; and the County meets all tax-supported metric requirements identified in the Special Fund Revenue Underwriting Guidelines. Mr. D'Alema referenced a chart showing Chesterfield County's financial performance.

Following the motion to approve the loan request by Chesterfield County, Mr. D'Alema shared the financing schedule for the 2017C VFPF, noting that pre-closing is anticipated for November 14, 2017 and closing on November 15, 2017.

Motion by Mrs. Donnellan, seconded by Mr. Hasty, to recommend to the Full Board approval of the Chesterfield County revolving loan request for up to \$11.5 million to be issued in the fall 2017C VFPF, based on the County's strong financial profile, to be secured by a special revenue pledge and the adherence to all VRA Appropriation Only Backed Underwriting Guidelines.

Motion carried.

Lease Underwriting Guidelines: Mr. Peter D'Alema, Director of Program Management, stated that an amendment to the Lease Underwriting Guidelines was presented at the March 2017 meeting of

PRMC. He said that staff looked at updating the guidelines to allow for additional types of collateral that can be offered by localities requesting loans with a lease-leaseback structure. The current guidelines require collateral to be an essential facility that is worth at least 75% of the loan amount requested based on assessed or insured value of the property. Mr. D’Alema explained that occasionally, a potential borrower will seek to offer non-essential collateral such as a park or undeveloped land to secure a loan. However, non-essential collateral is not allowed in the current underwriting guidelines. After discussion, it was the consensus of the PRMC that each potential borrower offering non-essential collateral be considered on a case-by-case basis by PRMC and the full VRA Board. Mr. D’Alema concluded that staff will use the suggested guideline updates as a basis for determining whether the application is worthy of PRMC and Board consideration.

Auditor of Public Accounts (APA) ~ Early Warning System of Locality Fiscal Distress: Ms. Stephanie Jones, Senior Program Manager/Compliance Officer, explained that the APA is a legislative entity that reports directly to the General Assembly. She stated that the APA was tasked by the General Assembly in 2017 with developing an early warning system of potential local fiscal distress as a result of the City of Petersburg’s financial crisis. She stated that the APA conducted research and decided on the system utilized by the state of Louisiana for monitoring which is called the Financial Assessment Model (FAM). Based on FAM, any locality that falls below a 16% score would require follow-up by the APA. The scores run from 0-100% and ten indicators are used to calculate the FAM score. She explained that the APA will contact localities falling below 16% and require them to complete a questionnaire. Afterwards, the APA will determine if the localities are truly fiscally distressed or if there are other mitigating factors requiring consideration. Ms. Jones said that localities that do not complete the questionnaire will forfeit their ability to receive funding from the state for any kind of intervention assistance. Finally, it will be up to the sub-committee of the General Assembly to decide the next steps after review of the questionnaires.

Ms. Jones stated that some of the results of the APA study align with VRA’s analysis of localities, and some do not. Furthermore, the APA’s system would not be inclusive of towns with populations less than 3,500, authorities, and non-governmental borrowers, categories which collectively represent 166 of the 290 VRA borrowers. She continued that VRA will continue to monitor the results of the APA’s early warning system as more information is made public.

#### **Old Business**

There was no old business.

#### **New Business**

There was no new business.

#### **Public Comment Period**

There was no public comment.

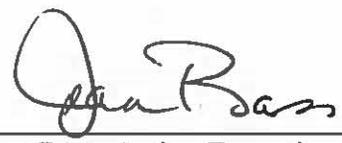
**Adjournment**

Motion by Mr. Branscome, seconded by Ms. Ganeriwala that the meeting be adjourned.

Motion carried, and the meeting adjourned at 4:00 p.m.

The next meeting of the Committee will be held on December 11, 2017.

  
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Barbara McCarthy Donnellan, Chair

  
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Jean Bass, Acting Executive Director/  
Secretary to the Board

## **VIRGINIA RESOURCES AUTHORITY**

### **AUDIT COMMITTEE MEETING MINUTES OF A REGULAR MEETING**

The Audit Committee of the Virginia Resources Authority met on Tuesday, September 12, 2017, in the William G. O'Brien Boardroom, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

#### **Committee Members Present**

Manju Ganeriwala, Chair  
Mary Bunting  
Reginald E. Gordon  
Robert Payne on behalf of Marissa J. Levine  
Thomas L. Hasty, III, Ex Officio

#### **Committee Members Absent**

None.

#### **Other Board Members Present**

Jennifer Bowles

#### **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  
Stephanie Jones, Senior Program Manager/Compliance Officer  
Catherine O'Brien, Accounting Manager

#### **Others Present**

Suzanne Long, Haneberg Hurlbert, PLLC, General Counsel  
Howard Eckstein, Virginia Department of Health, Office of Drinking Water  
Norman Yoder, Brown Edwards & Company, Auditor

#### **Call to Order**

The meeting was called to order by Ms. Manju Ganeriwala, Chair, at 8:10 a.m.

#### **Approval of Agenda**

There were no amendments to the agenda.

Motion by Ms. Bunting, seconded by Mr. Gordon, to approve the agenda as presented.

Motion carried.

### **Fiscal Year 2017 Audit**

Mr. Curtis Doughtie, Director of Administration and Finance, introduced Mr. Norman Yoder, Auditor from Brown Edwards & Company. Mr. Yoder thanked VRA, noting that the Company considers VRA as its profile client, and expressed appreciation for serving VRA for five years. Mr. Yoder proceeded to highlight the required Communication, With Those Charged With Governance. This year's audit was very smooth and he expressed appreciation to the staff for being courteous, responsive and professional. This is the last year, he said, that Brown Edwards will be conducting the audit for VRA, per statute.

Mr. Yoder stated that the VRA management and financial team is responsible for the financial statements, and Brown Edwards is the auditor and is responsible for an audit according to financial standards, and for determining whether the financial statements are materially correct. Mr. Yoder continued that no difficulties were encountered in performing and completing the audit. There was one misstatement that required a technical adjustment, he said, and it did not affect the bottom line for the year and was not a material adjustment. Mr. Yoder stated that compliance testing was conducted, and he recommends that steps be taken to ensure that Board members file the Virginia disclosure statement in a timely manner. This finding is not material, but warrants mentioning. Mr. Yoder concluded that there are three reports provided in the CAFR, namely, the financial statements, the yellow book and federal funding, all of which received clean reports.

Fiscal Year 2017 Financial Highlights: Mr. Curtis Doughtie, Director of Administration and Finance, stated that during FY2017 VRA funded 117 loans and grants across all programs to 88 entities for a total investment of \$389.9 million. VRA's credit ratings were maintained thereby allowing VRA to deliver cost-effective financing to Virginia communities. He stated assets exceeded liabilities representing a 2.6% increase, with savings used to fund reserves. He said changes in assets and liabilities are driven by loan receivables and bonds paid. The operating loss shown is driven by the way grant and loan activity is reported in the revolving loan programs. Mr. Doughtie shared graphs of the total net position, loans receivable and outstanding bonds and bonds secured by the Commonwealth Moral Obligation for the last ten years.

### **Closed Session**

Motion by Mr. Hasty, seconded by Mr. Gordon, to enter into a closed session in accordance with Section 2.2-3711(A)(1) of the Code of Virginia, as amended, for the purpose of discussion of the performance of specific employees of VRA during the 2017 Fiscal Year audit process.

Motion carried. The closed session convened at 8:29 a.m.

## **Open Session**

The Committee returned to Open Session at 8:42 a.m., and Ms. Suzanne Long, Haneberg Hurlbert, PLLC, who provided General Council services, read the following resolution certifying closed session.

### **Resolution Certifying Closed Session**

Whereas, the Audit Committee of the Board of the Virginia Resources Authority (the “Committee”) has on September 12, 2017 convened a closed session pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

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

Now, therefore, be it resolved that the Committee 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 Committee.

Motion by Mr. Hasty, seconded by Mr. Gordon, that the above-stated resolution certifying closed session be approved.

A roll call vote on the motion resulted as follows:

Ayes: Ms. Bunting, Mr. Gordon, Mr. Hasty, Mr. Payne, and Ms. Ganeriwala.

Nays: None.

Absent for Vote: None.

Absent for Meeting: None.

Motion carried.

Motion by Mr. Hasty, seconded by Ms. Bunting, to recommend to the Full Board approval of the Fiscal Year 2017 Audit, as presented.

Motion carried.

## **Audit Committee Charter**

Mr. Curtis Doughtie, Director of Administration and Finance, stated that the Charter outlines the purpose, authority, meeting requirements and responsibilities of VRA’s Audit Committee. However, he said staff is recommending a proposed change to the Charter that will reduce the meeting requirement from semi-annually to annually.

Motion by Ms. Bunting, seconded by Mr. Gordon, to recommend to the full Board the proposed amendment to the Audit Committee Charter to reduce the meetings from semi-annually to annually.

Motion carried.

**Agency Risk Management and Internal Control Standards (ARMICS)**

Mr. Curtis Doughtie, Director of Administration and Finance, stated that ARMICS requires an in-depth annual evaluation and testing of agency-level and transaction-level controls. This process is accomplished through interviews with staff, and sampling and testing documentation of controls. He continued that no control findings were identified during the sampling and testing; and progress is being made with staff interviews. He concluded that VRA plans to finalize its annual certification prior to the September 30 deadline.

**Old Business**

There was no old business.

**New Business**

There was no new business.

**Public Comment Period**

There was no public comment.

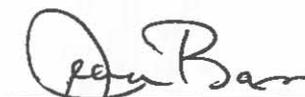
**Adjournment**

Motion by Mr. Gordon, seconded by Ms. Bunting, to adjourn the meeting.

Motion carried, and the meeting adjourned at 8:49 a.m.

The next meeting of the Committee to be determined.

  
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Manju Ganeriwala, Chair

  
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Jean Bass, Acting Executive Director/  
Secretary to the Board

**VIRGINIA RESOURCES AUTHORITY**

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

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

**Board Members Present**

Thomas L. Hasty, III, Chair  
Jennifer Bowles  
David Branscome  
Mary Bunting  
Barbara McCarthy Donnellan  
Manju Ganeriwala  
Reginald E. Gordon  
Cecil R. Harris  
Robert Payne, on behalf of Marissa J. Levine  
Valerie Thomson, on behalf of David K. Paylor

**Board Members Absent**

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  
Kimberly Adams, Senior Program Manager  
Stephanie Jones, Senior Program Manager/Compliance Officer  
Catherine O'Brien, Accounting Manager  
Andrea Pearson, Financial Services Manager

**Others Present**

Stephanie L. Hamlett, Former Executive Director, Virginia Resources Authority  
Suzanne Long, Haneberg Hurlbert, PLLC, General Counsel  
Steve Pellei, Office of Drinking Water, Virginia Department of Health  
Arthur Anderson, McGuireWoods, LLP  
Ty Wellford, Davenport & Company, LLC  
Mitchell Crowder, Davenport & Company, LLC  
Leah Schubel, Davenport & Company, LLC  
Norman Yoder, Brown Edwards & Company, Auditor  
Jonathan Kim, Siebert Cisneros Shank & Co., L.L.C.

### **Call to Order**

The meeting was called to order by Thomas L. Hasty, III, Chair, at 9:00 a.m.

Mr. Hasty made several announcements. He first acknowledged the newest member of the Board of Directors, Jennifer Bowles, a member of the Martinsville City Council. Ms. Bowles was appointed to fill the unexpired term of former Board Chair, William G. O'Brien. Mr. Hasty further acknowledged Robert Payne, Interim Director of the Office of Drinking Water, who was designated to represent the Commissioner of the Department of Health. Lastly, he announced that State Treasurer and VRA Board member Manju Ganeriwala has been appointed to the Board of Directors of the Municipal Securities Rulemaking Board.

### **Approval of Agenda**

There were no amendments to the agenda.

Motion by Ms. Bunting, seconded by Ms. Ganeriwala, to approve the agenda, as presented.

Motion carried.

### **Approval of Meeting Minutes**

There were no corrections to the minutes.

Motion by Mr. Branscome, seconded by Ms. Ganeriwala, that the minutes of the Portfolio Risk Management Committee meeting and the Personnel Committee meeting held June 12, 2017; and the Budget Committee and Board of Directors meetings held June 13, 2017 be approved.

Motion carried.

### **Executive Director's Report**

Ms. Jean Bass, Acting Executive Director, asked former VRA Executive Director Stephanie Hamlett to give the Executive Director's Report since much of what was submitted with the Report occurred before Ms. Hamlett's departure from VRA. Ms. Hamlett stated that the Executive Director's report was forwarded earlier to the Board so she would only highlight a few items. She stated that matters relating to three borrowers were moving forward and that she is optimistic that they will soon work themselves out. The City of Petersburg, she said, is in a better financial position and VRA's exposure has been decreased. Bristol Virginia Utilities Authority, she said, appears to be working out its problems and the sale of the Optinet System is expected to move forward. Lastly, she said the financial situation at Natural Bridge is improving.

Ms. Hamlett expressed appreciation for the support of the Board of Directors and staff and thanked everyone present.

### **Closed Session**

Mr. Hasty called for a motion to convene in closed session to consider a personnel matter.

Motion by Mr. Branscome, seconded by Ms. Ganeriwala, to enter into closed session 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.

Motion carried.

The closed session convened at 9:09 a.m.

### **Open Session**

The Board returned to open session at 9:28 a.m.; and Suzanne Long, Haneberg Hurlbert, PLLC, General Counsel read the following resolution:

#### **Resolution Certifying Closed Session**

Whereas, the Board of the Virginia Resources Authority (the "Board") has on September 12, 2017 convened a closed session pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

Whereas 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.

Motion by Mrs. Donnellan, seconded by Ms. Ganeriwala, that the above-stated resolution certifying closed session be approved.

A roll call vote on the motion resulted as follows:

Ayes: Ms. Bowles, Mr. Branscome, Ms. Bunting, Mrs. Donnellan, Ms. Ganeriwala, Mr. Gordon, Mr. Harris, Mr. Payne, Ms. Thomson, and Mr. Hasty.

Nays: None.

Absent for Vote: Mr. Burdette.

Absent for Meeting: Mr. Burdette.

Motion carried.

### **Interim Executive Director**

Motion by Ms. Ganeriwala, seconded by Mrs. Donnellan, that the Interim Executive Director's salary be provided as discussed by the Board in closed session and that the salary be reflected in a letter to Jean Bass, and that a copy of the letter be attached to the minutes of the Board of Directors meeting held September 12, 2017.

Motion carried.

### **Committee Reports**

#### Audit Committee:

Fiscal Year 2017 Audit: Ms. Manju Ganeriwala, Chair, began by noting that the Fiscal Year 2017 Audit of VRA was clean. There was a minor adjustment that was not material and was explained by VRA's Director of Administration and Finance, Curtis Doughtie. She stated that the Auditor, Norman Yoder of Brown Edwards & Company, is available to discuss the performance of employees during the Fiscal Year 2017 Audit in closed session.

Closed session: Motion by Ms. Bowles, seconded by Mr. Branscome, to enter into closed meeting in accordance with Section 2.2-3711(A)(1) of the Code of Virginia, as amended for the purpose of discussion of the performance of specific employees of VRA during the 2017 Fiscal Year Audit.

Motion carried.

The closed session convened at 9:30 a.m.

Open Session: The Board returned to Open Session at 9:35 a.m.; and Ms. Suzanne Long, Haneberg Hurlbert, PLLC, General Counsel, read the following resolution:

#### **Resolution Certifying Closed Session**

Whereas, the Board of Directors of the Virginia Resources Authority (the "Board") has on September 12, 2017 convened a closed session pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

Whereas, 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 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.

Motion by Ms. Thomson, seconded by Mrs. Donnellan, that the above-stated resolution certifying closed session be approved.

A roll call vote on the motion resulted as follows:

Ayes: Ms. Bowles, Mr. Branscome, Ms. Bunting, Mrs. Donnellan, Ms. Ganeriwala, Mr. Gordon, Mr. Harris, Mr. Payne, Ms. Thomson and Mr. Hasty.

Nays: None.

Absent for Vote: Mr. Burdette.

Absent for Meeting: Mr. Burdette.

Motion carried.

Fiscal Year 2017 Financial Highlights: Mr. Curtis Doughtie, VRA Director of Administration and Finance, stated that VRA had a good year funding 117 loans and grants across all programs to 88 entities for a total investment of \$389.9 million, the bulk of which was in the Virginia Pooled Finance Program (VPFP). He continued that VRA was able to maintain its credit ratings and deliver cost effective financing to Virginia communities. VRA assets exceed liabilities by \$1.6 billion, an increase of 2.6%. Mr. Doughtie noted that changes in assets and liabilities are driven by loan receivables, and 98.9% of net position is used for future loans, with the remainder held as reserve funds. He said that the operating loss shown in the financials is usual for VRA due to the way that accounting standards require grant revenue received from the revolving loan programs be shown.

Mr. Doughtie explained, in response to the Board, that VRA is required under statute to rotate auditors through the Auditor of Public Accounts (APA). This is the final year of Brown Edwards & Company's engagement as auditor for VRA. VRA will be seeking RFPs in the spring for bids and Brown Edwards & Company will not be eligible to bid.

Motion by Ms. Ganeriwala, seconded by Mr. Branscome, that the Fiscal Year 2017 Audit be approved, as presented.

Motion carried.

Ms. Ganeriwala expressed gratitude to the staff for doing a good job in accomplishing a clean audit. In addition, the Board expressed appreciation to Mr. Norman Yoder, Brown Edwards & Company, for five years of service.

Audit Committee Charter: Mr. Doughtie explained that the existing Audit Committee Charter provides for semi-annual meetings of the Audit Committee. He said the recommendation of staff is to reduce the number of meetings from semi-annually to annually.

Motion by Ms. Ganeriwala, seconded by Mrs. Donnellan, that the proposed amendment to change the number of meetings in the Audit Committee Charter from semi-annually to annually be approved.

Motion carried.

Agency Risk Management and Internal Controls (ARMICS): Ms. Ganeriwala stated that no weaknesses were identified for ARMICS.

Portfolio Risk Management Committee (PRMC):

Mrs. Barbara Donnellan, Committee Chair, began her report by calling upon Shawn Crumlish to bring the Board up-to-date on matters regarding the City of Petersburg.

City of Petersburg – CWRLF: Mr. Shawn Crumlish, Director of Financial Services, explained how the loan request to the Clean Water Revolving Loan Fund (CWRLF) originated, noting that VRA co-manages the program with the Department of Environmental Quality (DEQ) and is responsible for reviewing the credit worthiness of the applicant and establishing additional loan terms. Mr. Crumlish stated that because of Petersburg's financial challenges and financial exposure with VRA, the Credit Committee has crafted a loan with terms the staff feels comfortable bringing to the Board for its consideration and approval. He asked Ms. Andrea Pearson, Financial Services Manager, to present the credit for the requested Petersburg loan.

Ms. Pearson provided an update stating that the loan request was approved by DEQ in the amount of \$750,000, with \$300,000 of that amount in the form of a principal forgiveness loan. She said there are many reasons that the loan should not be granted if historical financial data is taken into consideration, particularly in terms of liquidity. However, she said the City has begun to turn its financial situation around with the assistance of consultants from the Robert Bobb Group. She continued that as the result of consistent cuts and revenue enhancements, debt service coverage improved and the general fund is almost breaking even; however, the unassigned fund balance is still very weak. Ms. Pearson noted that staff is recommending moving forward with the loan with water and wastewater revenues and general obligation as security. She highlighted covenants and conditions attached to approval of the loan including VRA consent for additional utility revenue or general obligation debt. Ms. Pearson noted that general obligation consent could be released subject to conditions approved by VRA's Acting Executive Director.

Motion by Mrs. Donnellan, seconded by Mr. Branscome, the approval by the Board to loan the requested amount, with terms and conditions as detailed by staff.

Motion carried.

Natural Bridge: Mr. Crumlish, Director of Financial Services, provided an historical overview of Natural Bridge, noting the Department of Conservation and Recreation (DCR) assumed responsibility for the park last year and it is now operating Natural Bridge as the 37<sup>th</sup> Virginia State Park. Mr. Crumlish stated that a 2017 payment to VRA is currently available for payment on November 1. In addition, he stated that Natural Bridge is on target with the projected number of

visitors and, he said, the park has been fairly successful since DCR commenced operations. However, he shared some challenges that include significant capital needs. The Virginia Conservation Legacy Fund (VCLF) through an agreement last year with DCR agreed to fund \$500,000 over time from sources other than Natural Bridge for capital needs. However, to date, VCLF has only provided \$100,000.

2017B Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, stated that VRA sold \$39.165 million in the summer VPFP transaction, funding five loans on behalf of five local government borrowers, covering four authorized project areas. He noted that 70% of the par was refunding and 30% was new money. Mr. D'Alema continued that interest rates were good and the True Interest Cost (TIC) was 2.876% and the All-in TIC was 3.129%. All of the taxable bonds as well as the tax-exempt senior Infrastructure Revenue Bonds were sold on a negotiated basis led by Senior Manager Siebert Cisneros Shank & Co. L.L.C. and Morgan Stanley, Co-Manager. The State Moral Obligation Bonds were sold on a competitive basis and Raymond James provided the lowest bid. He stated that \$27.095 million was refunded for three borrowers for a total net present value savings of approximately \$2.78 million. He shared a chart showing all borrowers, par amount, project areas, project description, term and security. Mr. D'Alema concluded that the portfolio currently is \$2.438 billion with the top 10 borrowers representing 35.88% of overall VPFP, and the largest borrower is 7.45% of overall VPFP portfolio.

Bristol Virginia Utilities Authority (BVUA): Mr. Peter D'Alema Director of Program Management, stated that BVUA is expected to sell its Optinet System to Sunset Digital Communications. The last hurdle was obtaining approval from the Virginia Coalfield Coalition. VRA staff met with Sunset Digital Communications and Sunset indicated that things are moving forward well with transaction matters. In conjunction with closing of the sale, Mr. D'Alema stated that BVUA will be defeasing the entire VPFP Series 2010C BVUA loan, eliminating all exposure to VRA.

City of Petersburg: Mr. Peter D'Alema, Director of Program Management, reiterated that VRA decreased its exposure with Petersburg in the VPFP portfolio. He stated that Petersburg defeased its entire VPFP Series 2014C loan as part of a general obligation bond issue that the City independently undertook to restructure its debt.

Town of Pocahontas: Mr. Peter D'Alema, Director of Program Management, stated that Pocahontas has one loan outstanding with VRA through the VPFP Series 2005B bond issue that was used to refinance prior Rural Development debt. However, the Town is experiencing financial challenges due to a water treatment plant that has reached the end of its useful life, the cost to produce water for the Town, and a declining user base. The plant is scheduled to be taken offline once the Tazewell County Public Service Authority (PSA) completes its water project. The PSA will connect Pocahontas to its system, which will produce water at 50% of the Town's current costs. He concluded that the Tazewell County Board of Supervisors agreed to assist Pocahontas in meeting its October 1, 2017 payment to VRA on the VPFP Series 2005B loan to bridge the Town's cash flow until the PSA project is completed.

2017C Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema Director of Program Management, stated that VRA received eight applications and nine loan requests from potential borrowers for consideration in the fall 2017C VPFP, covering six of VRA's authorized project areas. A late application has been received in the amount of \$10 million for review and inclusion in the pool. The other eight applicants are requesting \$84 million in proceeds. However, he explained that two of the eight applicants have withdrawn, one deciding to seek bank financing and the other will defer the project until next year. Due diligence calls were conducted, and staff contacted eligible VRA refunding candidates with at least 3% net present value (NPV) savings for possible inclusion in the fall pool. He shared the borrower list, showing the borrower, requested proceeds, project area, project description and security. Mr. D'Alema continued that there are five new exposure loan applications for consideration that exceed \$10 million in proceeds. One, Chesterfield County, he said requires PRMC and Board approval due to existing special fund revenue pledge exposure. All other loan requests meet existing underwriting guidelines.

Appomattox River Water Authority (ARWA): Mr. Peter D'Alema, Director of Program Management, stated that ARWA requested \$16.1 million to finance four critical water system projects and possibly refinance a prior loan. ARWA is a wholesale provider of water treatment services in central Virginia serving five localities, including the City of Petersburg. He explained that staff was concerned about additional Petersburg debt exposure to the VPFP. Therefore, he said the VRA Credit Committee approved the loan with the requirement of the moral obligation pledge of each member community, except Petersburg. This requirement, along with an ARWA revenue pledge would be security for any debt Petersburg could not pay. Mr. D'Alema noted that none of the localities have approved the moral obligation requirement. There are other options to include Petersburg; one is the City provides an equity contribution for its share; or, converting Petersburg to customer status rather than a member, thereby eliminating the City as a direct liability for the debt.

County of Chesterfield: Mr. Peter D'Alema, Director of Program Management, stated that Chesterfield County has requested \$11.2 million to finance three projects. He explained that the loan will be secured by a special revenue pledge under VRA's Appropriation Only Backed Underwriting Guidelines. Because of previous VRA financings with the County, the requested financing puts the County's Appropriation-Only exposure over \$35 million. Therefore, it is necessary to obtain PRMC and Board approval to move forward with the loan request. He concluded that the County's profile is strong, with a General Obligation rating of AAA by all three rating agencies, and strong financial performance and state aid coverage.

Motion by Mrs. Donnellan, seconded by Ms. Ganeriwala, to approve the Chesterfield County 2017C VPFP loan request for up to \$11.5 million to be issued in the Fall 2017C VPFP pool based on the County's strong financial profile and the adherence to all Appropriation Only Underwriting Guideline requirements.

Motion carried.

Lease Underwriting Guidelines: Mr. Peter D'Alema, Director of Program Management, stated at the last meeting of the Board, staff presented an amendment to the Lease Underwriting Guidelines

which provided for additional options for collateral for localities. After discussion at the PRMC meeting, it was determined that guidelines would remain as they currently are written. Any request to use collateral that is not considered to be essential will be brought to the PRMC and Board for approval.

Auditor of Public Accounts (APA) ~ Early Warning System of Locality Fiscal Distress: Ms. Stephanie Jones, Senior Program Manager/Compliance Officer, began by stating that the General Assembly charged the APA with developing an early warning system of locality fiscal distress. This charge grew out of concerns relating to the City of Petersburg's financial situation. After some research into processes used by other states, it was the desire of the APA to follow Louisiana's Financial Assessment Model (FAM). Under that model, any locality receiving a FAM score below 16% would require APA follow-up that includes completion of a questionnaire to be returned to the APA. Depending on review of the questionnaire, the APA will inform the Legislature, and the Legislature can make decisions about intervention. Ms. Jones stated that the APA has not officially released a list of distressed localities; however, VRA and several other entities, including the press, received the list compiled by the APA. Ms. Jones noted some results of the FAM analysis align with VRA analysis and some do not. She concluded that the APA is reviewing all cities, towns with school boards and populations over 3,500, and counties. Of VRA's 290 borrowers, 166 of these borrowers fall outside those categories. These include small towns, water and sewer authorities, jail authorities, airport authorities, and a few non-governmental borrowers.

### **Old Business**

There was no old business.

### **New Business**

Policy Governing Electronic Participation in Meetings: Ms. Suzanne Long, Haneberg Hurlbert, PLLC, Acting General Counsel, provided copies of the current Policy Governing Electronic Participation in Meetings, dated March 3, 2015. She explained that according to the statute and the number of meetings the Board held per year, members are only allowed to participate in one electronic meeting per calendar year. The statute was amended to allow each member no more than two electronic meetings per year due to emergencies or personnel matters.

Motion by Mrs. Donnellan, seconded by Ms. Bunting, to amend the Policy Governing Electronic Participation in Meetings, to bring it in alignment with state law to allow VRA Board members two electronic meetings per calendar year.

Election of Board Vice Chairman: Mr. Hasty called for nominations for Vice Chair of the VRA Board of Directors.

Ms. Ganeriwala nominated Mr. Cecil R. Harris for the position of Vice Chair of the VRA Board of Directors. Nominations were closed. Motion by Ms. Ganeriwala, seconded by Mrs. Donnellan, that Mr. Cecil R. Harris be appointed as Vice Chair of the VRA Board of Directors.

Motion carried.

Appointment of Personnel Committee Chairman:

Chairman Hasty appointed Mr. Reginald E. Gordon as Chairman of the Virginia Resources Authority Personnel Committee.

Chartered Financial Analyst Program: Mr. Shawn Crumlish, Director of Financial Services, announced that Joseph Bergeron, Financial Services Manager, recently received the designation of a Chartered Financial Analyst (CFA) from the CFA Institute. Mr. Crumlish explained that the designation requires the completion of a rigorous three-hour test and the pass rate is 50% at each of the three levels. He congratulated Mr. Bergeron, noting that he is a Certified Public Accountant (CPA), as well. Chairman Hasty and fellow Board members acknowledged Mr. Bergeron for his accomplishment.

**Public Comment Period**

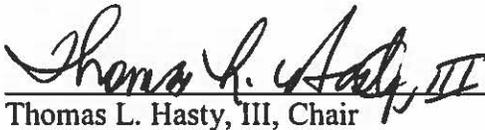
There was no public comment.

**Adjournment**

Motion by Mrs. Donnellan, seconded by Mr. Branscome, that the meeting be adjourned.

Motion carried, and the meeting adjourned at 10:36 a.m.

The next meeting of the Board is December 12, 2017.

  
Thomas L. Hasty, III, Chair

  
Jean Bass, Acting Executive Director/  
Secretary of the Board

September 12, 2017

Ms. Jean Bass  
Acting Executive Director  
Virginia Resources Authority  
1111 East Main Street, Suite 1920  
Richmond, VA 23219

**RE: Compensation Adjustment**

Ms. Bass,

On behalf of the Board of Directors of the Virginia Resources Authority, I applaud and thank you for serving as Acting Executive Director. In recognition of your additional duties, the Board of Directors authorizes an adjustment to increase your base pay to \$171,005.67. The Board of Directors also authorizes a one-time \$5,000 cash bonus as well as a one-time \$5,000 contribution to your 457 deferred compensation plan.

Thank you for your dedication and contributions to VRA.

Sincerely,



Thomas L. Hasty, III  
Chairman