

**VIRGINIA RESOURCES AUTHORITY  
AUDIT COMMITTEE  
MINUTES OF THE REGULAR MEETING  
HELD SEPTEMBER 10, 2018**

The Audit Committee of the Virginia Resources Authority met on Monday, September 10, 2018, in the Virginia Resources Authority Board Room, Bank of America Building, 19<sup>th</sup> Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Committee members were present and acting throughout the meeting: Ms. Manju S. Ganeriwala, Chair, Mr. David Branscome, and Mr. Steve Pellei on behalf of Mr. Dwayne Roadcap. Ms. Mary Bunting, Mr. Reginald Gordon, and Mr. Thomas Hasty, III were absent from the meeting. Other Board members present included: Ms. Barbara McCarthy Donnellan and Mr. Cecil R. Harris. VRA Staff present were: Ms. Stephanie L. Hamlett, Mr. Peter D'Alema, Ms. Catherine O'Brien, Mr. Curtis Doughtie, and Ms. Stephanie Jones. Greg Bussink from Clifton Larson Allen was also present.

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

The meeting was called to order by Ms. Ganeriwala at 1:02 p.m, and upon motion duly made by Mr. Pellei and seconded by Mr. Branscome, the agenda as presented was approved.

**Presentation of Fiscal Year 2018 Audit**

Mr. Doughtie, Director of Administration and Finance, introduced Mr. Greg Bussink, Auditor from CliftonLarsonAllen for presentation of the Fiscal Year 2018 Audit. Mr. Bussink thanked Mr. Doughtie and the finance team for their help with the Audit and noted that CliftonLarsonAllen was happy to be engaged by VRA again for the audit of VRA's financial statements. Mr. Bussink provided the highlights of the Fiscal Year 2018 Audit stating that VRA again received the GFOA Certificate of Excellence in Financial Reporting award. He noted that due to management's adoption of the new accounting policies under GASB75 relating to OPEBs, VRA is waiting for the Virginia Retirement System (VRS) to provide the necessary information for its CAFR. There is currently a reference in the draft CAFR regarding this and the information will be filled in when received by VRA. However, this amount is not expected to be a large liability for VRA. Mr. Bussink continued that no difficulties were encountered in completing the audit, there were no errors and there were no disagreements with management.

Ms. Ganeriwala asked Mr. Doughtie when VRS will provide the required information for the CAFR. According to Mr. Doughtie, VRS expects to have the information in the next couple of weeks. He continued that VRA has been in discussion with the Auditor of Public Accounts regarding the timing issue. VRA experienced a similar delay in 2015 when new standards regarding pension disclosures had to be approved by VRS before the fiscal year 2015 CAFR could be finalized.

## **Closed Session**

Ms. Ganeriwala called for a motion to convene in closed session to discuss a personnel matter. Motion by Mr. Branscome, seconded by Mr. Harris, to enter into a closed meeting in accordance with Section 2.2-3711(A)(1) of the Code of Virginia, as amended, for the purpose of discussion of the performance of specific employees of VRA during the 2018 Fiscal Year Audit process. Motion carried. The closed session convened at 1:12 p.m.

## **Open Session**

The open session convened at 1:20 p.m. Mr. Doughtie read the following resolution certifying closed session.

### **RESOLUTION**

**Whereas**, the Audit Committee of the Board of the Virginia Resources Authority (the "Committee") has on September 10, 2018 convened a closed session pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

**Where**, Section 2.2-3712 of the Code of Virginia requires a certification by the 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. Branscome, seconded by Mr. Pelli, that the above-stated resolution certifying closed session be approved. A roll call vote on the motion resulted as follows. Ayes: Mr. Pelli, Mr. Branscome, and Ms. Ganeriwala, Chair. Nays: None. Motion carried.

Mr. Doughtie next provided the Committee with an overview of the Fiscal Year 2018 financial highlights noting that VRA funded 132 loans to 93 entities for a total investment of \$376.9 million, and VRA was able to maintain its credit ratings to deliver cost-effective financing to Virginia communities. Assets exceeded liabilities by \$1.6 billion, a 3.1% increase over the prior year which was largely driven by loan receivables and bonds payable. He noted that nearly 99% of VRA's net position is restricted for making future loans and the other 1% is PRM and budget reserves. He continued that VRA experienced an operating loss of \$1.4 million but this is skewed by the classification of grant funding. A better indicator of net operating revenues over expenses is seen through VRA's annual contribution to the PRM reserve. For fiscal year 2018, the PRM reserve contribution was approximately \$2 million. Mr. Doughtie highlighted various sections of the financial statements including the notes to the financial statements, statistical section and compliance section. He continued that VRA's total net position over the past 10 years shows a steady increase. Total outstanding revenue bonds for the last 10 years shows a jump between 2011 and 2012 but otherwise has stayed consistent.

Mr. Doughtie next provided the Committee with an update on the implementation of the new accounting pronouncement GASB75 relating to OPEBs. VRA participates in the Group Life and Virginia Local Disability Plan through VRS. VRA relies on VRS to provide the actuarial data necessary for financial reporting. VRS intended to provide this data in August but had not provided the data as of today. Therefore, VRA has not included this in its draft CAFR but will add this information to the CAFR when available. VRA staff suggested that the Committee recommend to the Board to approve the CAFR as presented pending any material change. If there is a material change in the CAFR due to the GASB75 information, VRA staff will ask for the Board's approval at the December meeting; however, amounts are expected to be immaterial. Discussions ensued.

Motion by Mr. Branscome, seconded by Mr. Pellei, to approve the CAFR as presented to the Committee, pending any material changes as a result of GASB75 implementation in which case the CAFR will be brought back to the Board in December 2018; otherwise, the final audit, with letters and CAFR will be distributed when complete. Motion carried.

#### **Review of Audit Committee Charter**

Mr. Doughtie reviewed with the Committee its Audit Committee Charter. He stated that the charter outlines the purpose, authority, meeting requirements, and responsibilities of VRA's Audit Committee and includes provision for annual review of the charter. It further requires each Committee member to complete a certification and disclosure information form to be reviewed by the Board Chairman. He stated that there were no changes to bring to the Committees' attention.

#### **ARMICS**

Mr. Doughtie updated the Committee on VRA's Agency Risk Management and Internal Control Standards (ARMICS). He noted that VRA requires annual evaluation and testing of agency-level and transaction-level controls, which are accomplished through interviews with staff, sampling and testing documentation of controls. During this review, no control findings were identified. VRA plans to finalize its annual certification prior to the September 30 deadline.

#### **Adjournment**

As there were no new items or any further business to come before the meeting, the meeting adjourned at 1:40 p.m.

  
Stephanie L. Hamlett, Executive Director/  
Board Secretary

APPROVED:

  
Ms. Manju S. Ganeriwala, Chair

**VIRGINIA RESOURCES AUTHORITY  
PORTFOLIO RISK MANAGEMENT COMMITTEE  
MINUTES OF THE REGULAR MEETING  
HELD SEPTEMBER 10, 2018**

The Portfolio Risk Management Committee of the Virginia Resources Authority met on Monday, September 10, 2018, in the Virginia Resources Authority Board Room, Bank of America Building, 19<sup>th</sup> Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

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

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

The Chair called the meeting to order at 2:00 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.

**2018B Summer Pool VFPF Transaction Summary**

Mr. D'Alema, Director of Program Management, provided the Committee with an overview of the results of the 2018B VFPF summer pool. According to Mr. D'Alema, the summer transaction was smaller than others due in large part to tax reform in 2017. VRA sold \$27.96 million in VFPF bonds to currently refund a 2008B VFPF loan for Southampton County, originally issued to finance water and wastewater system improvements. The cost of funds was competitive with a true interest cost of 3.00% and an all-in true interest cost of 3.231%. By participating in the 2018B issuance, Southampton County generated significant net present value refunding savings of \$5.67 million, a strong result for the County.

**Fall 2018C VFPF Update**

Mr. D'Alema next provided the Committee with an update on the Fall 2018C VFPF issuance noting that VRA is considering 15 active loans requests from 13 potential local governments. The total requested proceeds is approximately \$130 million and covers 9 project areas. VRA conducted due diligence calls with applicants in July and August. According to Mr. D'Alema, there is one existing VFPF borrower that is planning to refund a prior 2008 loan. Mr. D'Alema recommended the Committee review Appendix A for general information on the projects including the credit work for the Chesterfield County and Hanover County loans, which are the only loan applications requiring Committee and Board approval. Mr. D'Alema introduced Ms.

Adams to discuss the Chesterfield loan request and Mr. Farmer to discuss the Hanover County loan request.

According to Ms. Adams, Chesterfield County requested \$20.86 million to finance five projects. The loan requested will be secured by a special fund revenue pledge under VRA's Appropriation-Only Backed Underwriting Guidelines. Chesterfield County's general obligation is rated Aaa/AAA/AAA, and Chesterfield County's financial performance and state-aid coverage are historically strong. This is the fourth time that Chesterfield has applied to VRA requesting the special fund revenue pledge, with Chesterfield's past requests totaling \$35.19 million outstanding through the VFPF. Ms. Adams discussed the Underwriting guidelines with the Committee noting that Chesterfield County is not considered a material obligor and is not a Top 10 borrower. Ms. Adams also presented to the Committee Chesterfield County's 2017 tax-supported underwriting guideline metrics stating that the County's unassigned fund balance to total revenues is in adequate range while its debt service to expenditures, total debt to total valuation, and debt payout ratio are all in the strong range. Ms. Ganeriwala asked what is taken into account in the total valuation to which Ms. Adams responded that the number takes into account real estate and personal property. Ms. Adams continued with an overview of the County's financial performance for the last five fiscal years noting that the County has been financially stable without much volatility in its numbers. VRA guidelines require a minimum of 2.00x state aid coverage ratio and Chesterfield has an estimated 6.69x state aid coverage ratio for fiscal year 2017. Due to the County's strong historic financial performance, liquidity, state-aid coverage, and existing credit ratings, VRA staff recommends that the Committee and Board approve the Chesterfield County loan request for up to \$20.86 million to be issued from the VFPF Series 2018C fall pool. Ms. Donnellan asked whether the County was using any of its own money for the project to which Ms. Adams responded yes.

Mr. Farmer presented to the Committee the details of Hanover County's loan request noting that Hanover County has requested \$12.04 million for the construction of a new library and park. The loan is to be secured by a special fund revenue pledge under VRA's Appropriation-Only Backed Underwriting Guidelines. Committee and Board approval is needed due to Hanover's existing special fund revenue exposure of \$40.33 million. Mr. Farmer noted that Hanover County's general obligation is rated Aaa/AAA/AAA by all three rating agencies. Additionally, for fiscal year 2017 Hanover County's state aid coverage was 6.10x, its debt service to expenditures was 6.14%, its total debt to total valuation was 0.92% and its unassigned fund balance to total revenues came in at 8.94%. Mr. Farmer noted that Hanover County has an unrestricted cash to expenditure of 49.97% and an unrestricted cash to general fund debt service of 5.01x for fiscal year 2017. Mr. Farmer continued that because Hanover County meets all requirements for eligibility of the special fund reserve security and its credit quality is not adversely impacted with this level of exposure, VRA staff recommends the Committee and Board approve the Hanover County loan request of \$12.04 million from the VFPF Series 2018C fall pool. Discussions ensued regarding the details of the special fund revenue pledge.

Motion by Ms. Donnellan, seconded by Mr. Branscome, to approve the Chesterfield County and Hanover County loan requests as presented by VRA staff. Motion carried.

## **Fiscal Year 2019 CWRLF Shelf Resolutions**

Mr. Crumlish, Director of Financial Services, next provided the Committee with program updates and presented the fiscal year 2019 Clean Water Program Shelf Resolutions. In terms of program updates, there was a 2018 Capitalization Grant awarded to DEQ in July 2018. The federal award increased \$5,725,000 over 2017. DEQ received 12 applications totaling over \$100 million for its 2019 funding cycle. Mr. Crumlish presented to the Committee the following three shelf resolutions for Committee approval to send to the full Board for vote: (1) State Match Bonds authorizing up to \$6,650,000 with a 2-year maturity, a maximum interest rate of 3.5%, and termination in September 2019. This would be the fifth time that DEQ has issued State Match Bonds to benefit the Clean Water Program. The repayment method is the interest portion from direct loans; (2) Clean Water Bonds authorizing up to \$100,000,000 in fiscal year 2019 with a 30-year maturity, maximum interest rate of 6%, and termination in September 2019; and (3) Clean Water Cash Defeasance, subject to concurrence with DEQ, authorizes the use of available program cash or existing bond reserves to defease Clean Water State Revolving Fund Revenues for debt service savings. According to Mr. Crumlish, there are a couple of reasons to defease bonds including excess cash, the reserve fund balance will be greater than the amount needed to defease certain remaining bonds, and also the opportunity to address the needs of localities. Discussions ensued amongst the Committee, VRA's financial advisor, and bond counsel regarding the Clean Water Cash Defeasance resolution.

Motion by Ms. Donnellan, seconded by Mr. Branscome, to recommend the shelf resolutions as presented to the Board. Motion carried.

## **Fall 2018 VPFP Financing Schedule**

Mr. D'Alema presented the Committee with the Fall 2018 VPFP financing schedule. There were no questions from the Committee regarding the proposed schedule.

## **VPFP Portfolio Update**

Mr. D'Alema next updated the Committee on Bristol Virginia Utilities Authority (BVUA) and the City of Petersburg loans. According to Mr. D'Alema, in conjunction with the sale of its Optinet system, BVUA defeased the outstanding balance of its VPFP 2010C loan. With the sale of its Optinet System, BVUA now only provides water, wastewater, and electric services. Mr. D'Alema added that there is a chance that BVUA will apply for the Clean Water program again and without the Optinet System, BVUA has a strong credit profile.

In terms of the City of Petersburg loan, VRA continues to monitor the financial condition of Petersburg. The City of Petersburg remains current on its VRA debt service payments and its payment to VRS. Mr. D'Alema noted that the City of Petersburg and VRA did not meet during the summer to discuss the Robert Bobb Group report released in May 2018. The City of Petersburg did meet independently with the Governor's office without its financial advisor or VRA present. It is understood that the City is continuing to improve its operations and tax collections and is in the process of obtaining a new revenue anticipation note for fiscal year 2019.

## **Compliance Update**

Ms. Jones, Senior Program Manager/Compliance Officer, provided the Committee with a compliance update. Currently, 75% of VRA's loans are in the green risk category, 14% are in the yellow risk category, 8% in the red risk category and 2% in the grey risk category constituting a strong overall portfolio. VRS has agreed to notify VRA if a locality is 60 days late on its VRS contributions, and VRA will notify VRS if the locality is late on its loan payments. VRA was notified that Castlewood WSA was late in its VRS contribution and has added Castlewood WSA to its monitoring list, although Castlewood WSA is current on its VRA loans.

Ms. Jones next introduced VRA new employee Mr. Spencer Murray to the Committee noting that Mr. Murray was recently hired for VRA's Loan Compliance Analyst position.

### **Adjournment**

There were no new items or any further business to come before the meeting. Motion by Ms. Ganeriwala, seconded by Mr. Branscome, that the meeting be adjourned. Motion carried, and the meeting adjourned at 2:43 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 SEPTEMBER 11, 2018**

The Board of Directors of the Virginia Resources Authority met on Tuesday, September 11, 2018, in the Virginia Resources Authority Board Room, Bank of America Building, 19<sup>th</sup> 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. Barbara McCarthy Donnellan, Mr. David Branscome, Ms. Jennifer Bowles, Mr. Cecil R. Harris, Jr., Mr. Mark K. Flynn, Ms. Valerie Thomson on behalf of Mr. David K. Paylor, Ms. Manju S. Ganeriwala, and Mr. Steve Pellei on behalf of Mr. Dwayne Roadcap. Absent from the meeting were Ms. Mary B. Bunting and Mr. Reginald E. Gordon. Others present included: Mr. Arthur Anderson from McGuireWoods LLP, Mr. Greg Bussink from Clifton Larson Allen, Mr. Ty Wellford and Mr. Mitchell Crowder from Davenport & Company LLC and Ms. Tracy Gordon. VRA Staff present were Ms. Hamlett, Ms. Bass, Mr. D'Alema, Ms. O'Brien, Mr. Doughtie, Ms. Jones, Mr. Crumlish, Mr. Bergeron, Mr. Farmer, Ms. Adams, Ms. Gordon and Mr. Murray.

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

The Chairman called the meeting to order at 9:00 a.m., and upon motion duly made by Mr. Hasty 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 unanimously carried by the affirmative votes of all of the Directors noted above as being present, the minutes of the Budget Committee meeting on June 11, 2018, the Personnel Committee meeting on June 11, 2018, the Portfolio Risk Management Committee meeting on June 11, 2018, and a regular meeting of the Board of Directors held on June 12, 2018, were approved as previously distributed.

#### **Executive Director Report**

Ms. Hamlett, Executive Director, presented the Executive Director's Report to the Board and asked if there were questions related to the report. She also introduced Ms. Tracy Gordon to the Board noting that Ms. Gordon will join the VRA Staff in October 2018. Ms. Gordon, Ms. Hamlett said, has experience both with the Commonwealth and local governments and has worked with Prince William County and the Northern Virginia Transportation Authority. Ms. Hamlett asked Ms. Bass to provide an update on the Governor Infrastructure Financing Conference scheduled for December 10-11, 2018. Ms. Bass noted that the conference planning is proceeding well and that Mr. Flynn, Mr. Anderson, and Mr. Wellford among others were assisting in conference presentations. She said that Henrico County and other localities are expected to share information on a variety of topics such as Private Public Partnerships and various other methods local governments can use to finance infrastructure.

## **Committee Reports**

### ***Portfolio Risk Management Committee (PRMC)***

Ms. Donnellan, on behalf of the PRMC, asked Mr. D'Alema, Director of Program Management, to present to the Board matters discussed in the PRMC meeting.

Mr. D'Alema began his presentation by providing an update to the Board on the results of the 2018B VPFP summer pool. According to Mr. D'Alema, the summer transaction was smaller than others due in large part to tax reform in 2017. VRA sold \$27.96 million in VPFP bonds to currently refund a 2008B VPFP loan for Southampton County, originally issued to finance water and wastewater system improvements. The bonds were sold on a competitive basis with a true interest cost of 3.00% and an all-in true interest cost of 3.231%. By participating in the 2018B issuance, Southampton County generated significant net present value refunding savings of \$5.67 million with gross savings of \$7.5 million, a strong result for the County.

Mr. D'Alema next provided to the Board an update on VRA's portfolio, specifically the Bristol Virginia Utilities Authority (BVUA) and the City of Petersburg loans. According to Mr. D'Alema, in conjunction with the sale of its Optinet system, BVUA defeased the outstanding balance of its VPFP 2010C loan, which was \$35.275 million. With the sale of its Optinet System, BVUA now only provides water, wastewater, and electric services and the defeasance removed BVUA from VRA's VPFP debt portfolio.

In terms of the City of Petersburg loan, VRA continues to monitor the financial condition of the City of Petersburg. The City of Petersburg continues to firm up its operations and remains current on its VRA debt service payments and its payment to the Virginia Retirement System (VRS). Mr. D'Alema noted that the City of Petersburg and VRA did not meet during the summer to discuss the Robert Bobb Group report. The City of Petersburg did meet independently with the Governor's office without its financial advisor or VRA present. It is understood that the City of Petersburg is continuing to improve its operations and tax collections and is in the process of obtaining a new revenue anticipation note for fiscal year 2019. Discussions ensued over why the meeting with VRA, the Governor's office and the City never occurred to which Mr. D'Alema replied that VRA was not invited to participate.

Mr. D'Alema continued with an overview of the portfolio noting that the credit quality remains strong. The largest borrower in the portfolio is the City of Suffolk and from a general concentration level standpoint, VRA is in good shape.

Mr. D'Alema next provided the Board with an update on the Fall 2018C VPFP issuance noting that VRA is considering 15 active loans requests from 13 potential local governments. The total requested proceeds are approximately \$130 million and includes 9 project areas. VRA conducted due diligence calls with applicants in July and August. According to Mr. D'Alema, there is one existing VPFP borrower that is planning to currently refund a prior 2008 loan (Harrisonburg Rockingham Sewer Authority). Mr. D'Alema noted that the Eastern Shore Virginia

Broadband Authority will likely not go through with VRA financing because it is looking at other avenues for financing. Therefore, the requested proceeds for the fall pool will likely be around \$125 million. VRA anticipates that four fall pool loans will exceed \$10 million in par amount including Rivanna Water and Sewer Authority, which functions as a wholesale water and sewer services provider. The Rivanna WSA has strong investment grade ratings. More information about all loan requests is found in the Appendix. With the exception of the loan requests from Chesterfield County and Hanover County, all of the other borrowers meet VRA's underwriting guidelines so there is no need for Board approval.

Mr. D'Alema briefly discussed the Chesterfield County loan request noting Chesterfield County has requested \$20.86 million to be secured by a special fund revenue pledge under VRA's Appropriation-Only Backed Underwriting Guidelines. He thanked Ms. Adams for her presentation to the Committee yesterday on this loan request. Chesterfield County's financial performance, state-aid coverage and credit profile are historically strong. Based on this, VRA Staff has recommended the approval of the loan with the special fund revenue pledge.

Motion by Ms. Donnellan, seconded by Ms. Ganeriwala, to approve the Chesterfield County 2018C VPFP loan request for up to \$20.86 million to be issued in the fall 2018 VPFP based on the County's strong financial profile and the adherence to all Appropriation-Only Backed Underwriting Guideline requirements. A roll call vote on the motion resulted as follows. Ayes: Ms. Donnellan, Mr. Branscome, Ms. Bowles, Mr. Harris, Mr. Flynn, Ms. Thomson, Ms. Ganeriwala, Mr. Pellei, and Mr. Hasty, Chair. Nays: None. Motion carried.

Mr. D'Alema next briefed the Board of the Hanover County loan request of \$12.04 million for the construction of a new library and park. He thanked Mr. Farmer for his presentation to the Committee on this loan request. Mr. D'Alema noted that this loan request is before the Board because Hanover County's VPFP special fund revenue security exposure is greater than \$25 million. He continued that Hanover County meets all of the special fund revenue guidelines. The credit review indicates that the County has the ability to take on the proposed debt. Therefore, VRA Staff recommends approval of the loan request.

Motion by Ms. Donnellan, seconded by Ms. Ganeriwala, to approve the Hanover County loan request of up to \$12.04 million from the VPFP Series 2018C. A roll call vote on the motion resulted as follows. Ayes: Ms. Donnellan, Mr. Branscome, Ms. Bowles, Mr. Flynn, Ms. Thomson, Ms. Ganeriwala, Mr. Pellei, and Mr. Hasty, Chair. Nays: None. Abstention: Mr. Harris. Motion carried.

Mr. D'Alema presented the Board with the Fall 2018 VPFP financing schedule.

Mr. Crumlish, Director of Financial Services, next provided the Board with program updates and presented the fiscal year 2019 Clean Water Program Shelf Resolutions. In terms of program updates, there was a 2018 Capitalization Grant awarded to DEQ in July 2018. The federal award to DEQ increased \$5,725,000 from 2017. DEQ received 12 applications totaling over \$100 million for its 2019 funding cycle. Mr. Crumlish presented the following three shelf resolutions for Board approval: (1) State Match Bonds which authorizes up to \$6,650,000 with a 2-year maturity, a maximum interest rate of 3.5%, and termination in September 2019. He noted that this

would be the fifth time that DEQ has issued State Match Bonds to benefit the Clean Water Program. The repayment method is the interest portion from direct loans; (2) Clean Water Bonds which authorizes up to \$100,000,000 in fiscal year 2019 with a 30-year maturity, maximum interest rate of 6%, and termination in September 2019; and (3) Clean Water Cash Defeasance, subject to concurrence with DEQ, authorizes the use of available program cash or existing bond reserves to defease Clean Water State Revolving Fund Revenues for debt service savings. According to Mr. Crumlish, there are a couple of reasons to defease bonds including excess cash, the reserve fund payment will be greater than the amount needed to defease certain remaining bonds, and also the opportunity to meet the needs of localities with existing and pending loans. Ms. Donnellan added that the Committee had productive discussions on these shelf resolutions which give VRA the ability to refund as long as there is a separation between issuances. Motion by Ms. Donnellan, seconded by Ms. Ganeriwala, to approve the shelf resolutions as presented. A roll call vote on the motion resulted as follows. Ayes: Ms. Donnellan, Mr. Branscome, Ms. Bowles, Mr. Harris, Mr. Flynn, Ms. Thomson, Ms. Ganeriwala, Mr. Pellei, and Mr. Hasty, Chair. Nays: None. Motion carried.

Ms. Jones, Senior Program Manager/Compliance Officer, provided the Board with a compliance update. Currently, 75% of VRA's loans are in the green risk category, 14% are in the yellow risk category, 8% in the red risk category and 2% in the grey risk category constituting a strong overall portfolio. VRS has agreed to notify VRA if a locality is 60 days late on its VRS contributions, and VRA will notify VRS if the locality is late on its loan payments. VRA was notified that Castlewood Water and Sewage Authority (WSA) was late in its VRS contribution and has added Castlewood WSA to its monitoring list, although Castlewood WSA is current on its VRA loans. Ms. Jones next introduced Mr. Spencer Murray to the Board noting that Mr. Murray was recently hired for VRA's Loan Compliance Analyst position. Ms. Donnellan added that a full compliance report will be provided at the Board's March meeting.

### *Audit Committee*

Ms. Ganeriwala introduced Mr. Doughtie, Director of Administration and Finance, to update to Board on the Fiscal Year 2018 Audit. Mr. Doughtie stated that Clifton Larson Allen conducted VRA's Fiscal Year 2018 Audit, resulting in a "clean" audit opinion and no internal control weaknesses or deficiencies were noted.

Mr. Doughtie next provided the Board with an overview of the fiscal year 2018 financial highlights noting that VRA funded 132 loans to 93 entities for a total investment of \$376.9 million. Additionally, VRA maintained its credit ratings to provide cost-effective financing to Virginia communities. He continued that assets exceeded liabilities by \$1.6 billion, a 3.1% increase over the prior year which was largely driven by loan receivables and bonds payable. He noted that nearly 99% of VRA's net position is restricted for making future loans and the other 1% is PRM and budget reserves. VRA experienced an operating loss of \$1.4 million but this is skewed by the classification of grant funding. A better indicator is seen in VRA's \$2 million contribution to the PRM reserve. Mr. Doughtie added that VRA's total net position over the past 10 years shows a steady increase, and the total outstanding revenue bonds for the last 10 years has stayed consistent aside from a jump between 2011 and 2012. Mr. Doughtie noted that the financial statements are presented as whole, and he highlighted various aspects of the draft CAFR including the notes to

the financial statements (Page 20-59), the statistical section with trend data showing that VRA has expanded over the last 10 years (Pages 73-82), and the compliance section for federal grants (Pages 84-90).

Mr. Doughtie next provided the Board with an update on the implementation of the new accounting pronouncement GASB75 relating to OPEBs. VRA participates in the Group Life and Virginia Local Disability Plan through VRS. VRA relies on VRS to provide the actuarial data necessary for financial reporting. VRS intended to provide this data in August but has not been able to do so. Therefore, VRA has not included this in its draft CAFR but will add this information to the CAFR when available. The Committee has recommended that the Board approve the CAFR as presented pending any material change. If there is a material change in the CAFR due to the GASB75 information, VRA staff will ask for the Board's approval at the December meeting; however, amounts are expected to be immaterial. Mr. Wellford asked about various filing deadlines to which Mr. Doughtie replied that there is a 9/13 component unit deadline, and VRA plans to submit the CAFR without the data included. The Auditor of Public Accounts deadline is 9/30 for Authority Boards and Committees. Ms. Ganeriwala asked for clarification on the formula for setting aside reserves and what level VRA is currently at compared to its goal. Mr. Doughtie responded that it is based on compliance ratings. Mr. D'Alema added that the target range is \$18-19 million, and VRA has contributed more than anticipated (contribution of \$16 million and 5-year outlook is at \$20 million) and expect to be close to its goal in 2021.

Motion by Ms. Ganeriwala, seconded by Ms. Donnellan, that the CAFR be approved as presented, pending any material changes as a result of the GASB 75 implementation in which case the CAFR will be brought back to the Board in December 2018; otherwise, the final audit, with letters and CAFR will be distributed when complete. Motion carried.

Mr. Doughtie next reviewed with the Board the Audit Committee Charter. The charter outlines the purpose, authority, meeting requirements, and responsibilities of VRA's Audit Committee and includes provision for annual review of the charter. It further requires that each Committee member complete a certification and disclosure information form to be reviewed by the Board Chairman. He stated that there were no changes to bring to the Board's attention.

Mr. Doughtie next updated the Board on VRA's Agency Risk Management and Internal Control Standards (ARMICS). He noted that VRA requires annual evaluation and testing of agency-level and transaction-level controls, which are accomplished through interviews with staff, sampling and testing documentation of controls. During this review, no control findings were identified. VRA plans to finalize its annual certification prior to the September 30 deadline.

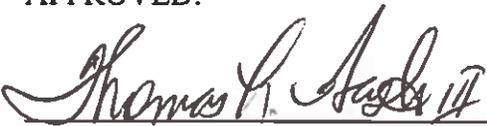
Ms. Ganeriwala stated that the Audit Committee heard from VRA's Auditor Clifton Larson Allen at its meeting. She thanked VRA staff for its hard work in completing the audit and she said the auditor commended VRA's staff for its great work. Ms. Ganeriwala added that the audit came back clean with no compliance findings. She concluded that VRA's financial position remains strong.

**Adjournment**

There were no new items or any further business to come before the meeting. Motion by Mr. Hasty that the meeting be adjourned. Motion carried, and the meeting adjourned at 9:46 a.m.

  
Stephanie L. Hamlett, Executive Director/  
Board Secretary

APPROVED:

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