VIRGINIA RESOURCES AUTHORITY

PERSONNEL COMMITTEE MEETING
MINUTES OF THE REGULAR MEETING

The Personnel Committee of the Virginia Resources Authority met on Monday, September 14, 2015, in the Boardroom of the Virginia Resources Authority, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Members Present
Barbara McCarthy Donnellan
Valerie Thomson on behalf of David K. Paylor

Members Absent
Thomas L. Hasty, III, Chair
Randall P Burdette
William G. O'Brien, Ex Officio

Other Committee Members Present
John H. Rust, Jr.

Staff Present
Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean F. Bass, Director of Policy
Michael Cooper, Director of Administration & Operations
Rachael Logan, Fiscal & Administrative Specialist

Others Present
None.

Call to Order

Ms. Barbara McCarthy Donnellan called the meeting to order on behalf of Mr. Thomas L. Hasty, Chair, at 1:34 p.m.

Approval of Agenda

There being no amendments, the agenda was approved as submitted.

Old Business

There was no old business.

New Business

Mr. Michael Cooper, Director of Administration & Operations, provided an update on the Controller position recently vacated by Mr. Jon McCubbin. Mr. McCubbin left VRA on July 31, 2015 during the audit process. Mr. Cooper explained that it has been a team effort with staff sharing responsibility since Mr. McCubbin's departure. However, he recognized that Mr. George Panos, Deputy Controller, and Ms. Elizabeth Sakr, Fiscal & Administrative Specialist, have worked hard to ensure that all financial activity continues to flow smoothly.

Mr. Cooper continued that a strong pool of candidates applied for the position of Controller, noting that two rounds of interviews were conducted. The candidates selected during the second round of interviews had the opportunity to meet individually with the Executive Director to gain her vision and expectations for the position. Currently, staff is in the process of performing reference checks on potential candidates with the possibility of an appointment by the end of the week. Mr. Cooper mentioned that all the candidates are Certified Public Accountants with very strong and vast backgrounds. All are aware of the salary range which is consistent with State partnering agencies and State classification, as well as the financial world.

Ms. Hamlett added that representatives from the Departments of Environmental Quality and the Department of Health participated in the initial interviews, explaining that their input is beneficial as the Controller maintains a close working relationship with those agencies. Ms. Hamlett complimented Mr. Cooper for his efforts during the absence of a Controller. Additional assistance was received from the accounting firm of Cherry Bekaert, LLP and Mr. McCubbin who made himself available to answer questions.

Public Comment

There was no public comment.

Adjournment

There being no further business to come before the Committee, the meeting adjourned at 1:41 p.m.

The next meeting of the Committee to be determined.

Barbara M. Donnellan

Barbara McCarthy Donnellan
on behalf of Thomas L. Hasty, III, Chair

Stephanie Hamlett

Stephanie L. Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY

AUDIT COMMITTEE
MINUTES OF THE REGULAR MEETING

The Audit Committee of the Virginia Resources Authority met on Monday, September 14, 2015, in the Virginia Resources Authority Boardroom, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Members Present
Manju Ganeriwala, Chair
John J. Aulbach, II
David Branscome
Dena Frith Moore

Members Absent
James H. Spencer, III
William G. O'Brien, Ex Officio

Other Board Members Present
Barbara McCarthy Donnellan
John H. Rust, Jr.
Randall P Burdette (arrived at 2:08 p.m.)

Staff Present
Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Michael Cooper, Director of Administration and Operations
George Panos, Deputy Controller
Elizabeth Sakr, Fiscal & Administrative Specialist
Rachel Logan, Fiscal & Administrative Specialist

Others:
Norman Yoder with Brown Edwards & Company, LLP, Independent Auditors

Call to Order

The meeting was called to order by Ms. Manju Ganeriwala, Chair, at 2:00 p.m.

Approval of Agenda

Motion made by Ms. Moore, seconded by Mr. Aulbach, to approve the agenda.

Motion carries.

FY2015 Comprehensive Annual Finance Report (CAFR)

Mr. Michael Cooper, Director of Administration and Operations, welcomed Mr. Norman Yoder with Brown Edwards & Company, LLP, Independent Auditors. Mr. Cooper noted that this is the third year Mr. Yoder has served as the lead auditor for VRA. He complimented the team effort of Mr. George Panos, Deputy Controller, Ms. Elizabeth Sakr, Fiscal & Administrative Specialist, and all of the VRA staff in working to complete the CAFR following the departure of former Controller, Mr. Jon McCubbin. Mr. Cooper explained that the CAFR is labeled as a draft because staff is waiting for specific language from the Virginia Retirement System (VRS) related to the General Accounting Standards Board (GASB) Statement 68 for presenting pension liability in the financial statements. This is the first year that the requirement has taken effect. Mr. Cooper noted that both the Auditor for Public Accounts and VRS are working through some of the challenges to provide the unique financial statement language to each public entity affected including VRA. He added that VRA is in a net pension asset position.

Mr. Randall P Burdette arrived at 2:08 p.m.

Mr. Cooper began the presentation on the draft CAFR stating that it was another strong year for VRA in terms of accomplishments achieved. He highlighted the major accomplishments as outlined in the Executive Director's transmittal letter to the Board. Among these are four pooled loan bond transactions totaling $458.2 million in project money for 44 loans to 36 localities. In terms of financial results, he continued that VRA's net position increased over the previous year by 3.1%, surpassing $1.48 billion. All increased funding, he said, will be placed in reserve to pay off the outstanding loans portfolio. This year VRA is in a good position to fund unrestricted funds. Total assets, he said, increased again this year due to an increase in loan programs, specifically refundings. Consequently, operating expenses increased because the outstanding bond portfolio continues to grow.

Mr. Cooper pointed out the difference between current loans receivable and non-current loan receivables, noting that there were no default payments on loan receivables. Mr. Cooper continued that refundings have been great for the borrowers, adding that the net present value in savings was just under $9 million. Mr. Cooper reiterated that VRA is waiting for information for reporting pension liability in the financial statements. In particular, under Financial Note Number 13 of the Financial Statements, VRA is anticipating restatement of the beginning net position because of GASB Statement 68. As a result, approximately $269,000.00 will be returned to beginning retained earnings net position.

In response to the Committee, Mr. Yoder explained that as long as the governmental entity matches the recommended funding requirements pertaining to pension liability as stipulated by VRS no liability is shown in the financial statements. Mr. Cooper concluded with a chart showing VRA's net position by component over the last ten Fiscal Years.

Audit Report

Mr. Norman Yoder with Brown, Edwards & Company, LLP, Independent Auditors, stated that the auditing process went well and that VRA has good controls in place. The VRA staff is knowledgeable and he was very impressed with the team effort of the staff in terms of responding to questions. He stated when he was informed of Mr. Jon McCubbin's departure from VRA that he was concerned but was pleased to find that a plan of action was already in place. Mr. Yoder noted that the good planning and extra effort on behalf of VRA staff was greatly appreciated.

Mr. Yoder stated that the audit of financial statements received a clean opinion. No deficiencies in internal control considered to be material were identified. There were no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. There is also a clean opinion relative to federal award programs. This year the program tested was the Capitalization Grants for Clean Water State Revolving Funds, and VRA was determined to be a low-risk auditee.

Mr. Yoder explained the required communication with those charged with governance, noting that there were no difficulties or bias with the Finance team.

The Committee concurred that Mr. Yoder write a letter to be included with the final CAFR stating that the only change in the auditing process was the GASB Statement 68 requiring that pension liability be shown in the financial statements.

There was extensive discussion relative to the effect of the GASB Statement 68 on all governmental entities including cities, counties and school systems. Mr. Yoder stated that the GASB requirement is no surprise to the rating agencies, and the requirement will not likely result in any debt being downgraded in Virginia.

Mr. Cooper suggested that the Committee recommend to the Full Board acceptance of the CAFR subject to any significant change that would affect the auditor's opinion letter.

Motion by Ms. Moore, seconded by Mr. Aulbach, that the Committee recommends to the Full Board the acceptance of the CAFR pending no material changes and recognizing a final copy of the CAFR will be presented to the Board when complete.

The motion carried.

Closed Session

Ms. Ganeriwala stated that a closed session is necessary pertaining to the audit.

Motion by Mr. Aulbach, seconded by Ms. Moore, to enter into a closed meeting in accordance with Section 2.2-3711(A)(1) of the Code of Virginia, as amended, for the discussion of specific employee performance during the current fiscal year audit process.

The Closed Session convened at 4:39 p.m.

Open Session

The Open Session reconvened at 4:47 p.m., and Mr. Cooper read the following resolution certifying closed session.

Resolution Certifying Closed Session

Whereas, the Audit Committee of the Virginia Resources Authority (the Authority") has on September 14, 2015 received this resolution convened a closed session pursuant to an affirmative recoded 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 audit Committee that such closed meeting was conducted in accordance with Virginia law;

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

Motion by Ms. Moore, seconded by Mr. Aulbach, that the above resolution certifying closed session be approved.

A roll call vote on the motion resulted as follows:

Ayes: Mr. Aulbach, Mr. Branscome, Mr. Burdette, Ms. Donnellan, Ms. Moore, Mr. Rust and Ms. Ganeriwala, Chair.

Nays: None.

Absent for Vote: Mr. Spencer and Mr. O'Brien.

Absent for Meeting: Mr. Spencer and Mr. O'Brien.

Old Business

There was no old business.

New Business

Mr. Michael Cooper, Director of Administration and Operations, stated that annually an ARMICS Review is conducted with the assistance of the accounting firm of Cherry, Bekaert, & Holland, LLP. This is an internal controls review. Cherry Bekaert is currently working on the written element of their report. However, the firm does not anticipate any findings. The Committee and Board will receive the final report upon its completion.

Public Comment Period

There was no public comment.

Adjournment

Motion by Ms. Moore, seconded Mr. Aulbach, to adjourn the meeting.

Motion carried and the meeting adjourned at 2:53 p.m.

The next meeting of the Committee to be determined.

Manju Ganeriwala

Manju Ganeriwala, Chair

Stephanie Hamlett

Stephanie L. Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY

PORTFOLIO RISK MANAGEMENT COMMITTEE MEETING
MINUTES OF THE REGULAR MEETING

The Portfolio Risk Management Committee met on Monday, September 14, 2015, in the Boardroom of the Virginia Resources Authority, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Committee Members Present
Dena Frith Moore, Chair
David Branscome
Manju Ganeriwala
Thomas L. Hasty, III (arrived at 4:15 p.m.)
John H. Rust, Jr.

Committee Members Absent
William G. O'Brien, Ex Officio

Other Board Members Present
Mrs. Barbara McCarthy Donnellan

Staff Present
Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy
Michael Cooper, Director of Administration & Operations
Shawn Crumlish, Director of Financial Services
Peter D'Alema, Director of Program Management
Kimberly Adams, Senior Program Manager
Stephanie Jones, Program Manager/Compliance Officer
Joseph Bergeron, Financial Services Manager
Jonathan Farmer, Program Manager
Rachael Logan, Fiscal & Administrative Specialist

Others Present
Arthur Anderson, McGuire Woods, Bond Counselor
Ty Wellford, Davenport & Company, LLC
Leah Schubel, Davenport & Company, LLC
Ted Henifin, PE, General Manager, Hampton Roads Sanitation District
Melissa Josey-White, CPA, Acting Finance Director, Hampton Roads Sanitation District
Sarah Frey, Financial Advisor, Public Financial Management

Call to Order

The meeting was called to order by Ms. Dena Frith Moore, Chair, at 3:01 p.m.

Approval of Agenda

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

Motion carried.

Portfolio Risk Management Update

Hampton Roads Sanitation District (HRSD): Mr. Shawn Crumlish, Director of Financial Services, explained that the Hampton Roads Sanitation District (HRSD) has requested VRA to migrate existing HRSD debt to a subordinate position. According to VRA guidelines, any request of a local government seeking to issue subordinate debt would require full Board approval. If it is the Board's desire to allow subordinate debt guidelines or consider an exception to the existing guidelines, action may be taken at the December 2015 Board meeting.

Mr. Crumlish continued that HRSD has been a part of the Clean Water Program since 1993 with $166 million outstanding in the portfolio and is the second largest borrower. He introduced Mr. Ted Henifin, General Manager, Ms. Melissa Josey-White, Acting Finance Director, and Ms. Sarah Frey, Financial Advisor, Public Financial Management. Mr. Henifin provided a brief history of HRSD, stating that the entity was established in 1940 and is governed by an eight member Commission appointed by the Governor with independent rate setting authority. HRSD serves 17 communities in Southeastern Virginia and the weighted average rating of the service area is Aa1/AA+/AA+. Mr. Henifin proceeded stating that HRSD has solid financial performance with strong liquidity. In addition, HRSD has comprehensive financial policies that have kept the organization highly rated through a significant amount of debt issuance over the last ten years. He shared charts showing rate increases over the last 10 years, projected rates for the next 5 years, and strong financial results overall for FY2014, noting that increases are driven in part by changing regulations, new Chesapeake Bay requirements and infrastructure. He noted that of the $634 million in senior lien debt, $105 million was VRA debt; and of the $110 million of subordinate lien debt, $70 million was VRA debt.

Mr. Henifin explained that HRSD is seeking a regional approach for construction of infrastructure to preclude or reduce sanitary sewer overflows, noting that HRSD and the localities are under Federal and State consent agreements to rectify the problem. A commissioned study found that a regional approach to repairing leaks and overflows in the infrastructure would generate approximately $1.967 billion in capital costs savings for the region. The dilemma, however, is that HRSD will not own the assets in which they are investing, thus creating a coverage challenge. Therefore, Mr. Henifin stated that HRSD would like to wind down all of its senior debt or change the lien status to subordinate debt over the next 10 years, and not issue any additional senior debt. This situation would result in VRA essentially owning the vast bulk of HRSD senior debt. Mr. Henifin further stated that HRSD is requesting to move outstanding VRA senior lien debt to the subordinate lien. He is further requesting VRA approval of the changes at its December Board meeting, with a plan to request bondholder approval of amendments with an upcoming bond sale in February 2016. Mr. Henifin concluded by sharing several charts showing the capital impact of regionalization and projected debt profile from FY2016 to FY2025.

There was extensive discussion relative to rate increases by localities to cover the cost of repairing the leaking system versus the regional approach. Reservations were expressed by the Committee relative to the current VRA Board committing future Boards over a 10 year period to allow HRSD to change the lien to subordinate debt. The Committee recognized the current strong financial condition of HRSD, and understood the rationale for moving forward with a regional approach for future infrastructure improvements, but questioned the need to take action on senior debt 10 years in advance. Ms. Moore thanked HRSD for sharing its plan with VRA, stating that VRA is open to further discussions when HRSD gets to the point that they are shutting down the senior debt.

Ms. Sarah Frey, Financial Advisor, Public Financial Management, stated that VRA is being asked to agree to the amendments to the financing agreement relating to senior debt so that it will align with approval from bondholders on the subordinate lien. Otherwise, she stated, HRSD will be committed to two sets of documents and two sets of covenants, which will create a hardship in terms of implementing the terms.

After discussion, it was determined that there is no benefit to VRA to approve a migration for senior debt. A further benefit to HRSD is disclosure by VRA to new subordinate lenders that it has agreed to go from senior debt to subordinate debt.

Ms. Stephanie L. Hamlett stated staff is working with HRSD and had encouraged HRSD to present to the Committee. She further noted that staff has been gathering information and have some ideas and thoughts that they would like to further explore. Staff's recommendations will be presented to the Committee between now and the December meeting for review and consideration.

Portfolio Risk Management Update

2015B Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, stated that VRA sold $70.07 million in 2015B VPFP bonds on July 28, 2015. Eight local government loans were funded on behalf of eight local government borrowers, financing or refinancing projects in four of VRA's 18 authorized project areas. He noted that Bedford Regional Water Authority (BRWA) was removed from the Summer Pool. The sale included tax- exempt and taxable Infrastructure Revenue Bonds and tax-exempt and taxable State Moral Obligation Bonds. The True Interest Cost (TIC) was 3.53% and the All-In TIC was 3.74%. The Infrastructure Revenue Bonds and all taxable bonds were sold on a negotiated basis. Underwriters were Bank of America Merrill Lynch, Senior Manager, Co-Managers, Baird, Fidelity, and RBC. The Tax-exempt State Moral Obligation Bonds were offered by competitive bid and the bid winner was RBC. The Summer Pool borrowers refunded six loans for a total par amount of $32.58 million, including prior and non-VRA debt for a net present value savings exceeding $2.4 million. Mr. D'Alema shared a chart summarizing borrowers, their final par amounts, project area, description, and security. He concluded with the VPFP portfolio overview. There is $2.28 billion in total borrower local loans outstanding, with the top ten borrowers representing 34.9% of the overall VPFP portfolio, and the largest borrower is under 6% of the overall VPFP portfolio. Sixty new borrowers were added between FY2011 and FY2015, and volume has increased by 80% in the last five years.

Bedford Regional Water Authority (BRWA): Mr. Peter D'Alema, Director of Program Management, explained that BRWA was removed from the summer 2015B VPFP bond pool due to unspecified threats of litigation from a Bedford County resident as it related to the water system expansion project. Plans were then made to offer a single-borrower issuance. However, after delving into FOIA requests, VRA questioned the validity of an authorizing resolution related to the project. As a result, Mr. D'Alema stated BRWA was encouraged to pursue a bond validation related to their water system project. The validation hearing was held on September 9, 2015 with no opposition present. Assuming no appeal is filed related to the bond validation proceedings, VRA will be prepared to move forward with a single-borrower issuance in October.

In response to Mr. Rust, Ms. Hamlett explained that a notice of the hearing for the validation hearing was published as required by law. Mr. Arthur Anderson, McGuire Woods, Bond Counselor, and Ms. Hamlett explained the process for the validation proceedings. Mr. D'Alema will keep the Committee and Board informed relative to the status of BRWA.

Fall 2015C VPFP Update: Mr. Peter D'Alema, Director of Program Management, stated that VRA is reviewing nine applications from potential borrowers for consideration in the fall pool for about $195 million. VRA received 12 applications initially for fall pool consideration, but three applications were subsequently withdrawn. He stated that staff has contacted eligible VRA refunding candidates with at least 3% Net Present Value (NPV) savings on existing loans for possible inclusion in the fall pool. Four localities showed interest; however, only three have adopted resolutions to move forward. Mr. D'Alema shared the applicant list highlighting the borrowers, requested proceeds, project area, description and security. He stated that six of the applications from the fall VPFP are approximately $10 million or more in requested funds. The City of Suffolk loan request requires PRMC and Board approval due to the restructuring of prior utility system debt.

Mr. Thomas L. Hasty, III arrived at 4:15 p.m.

Mr. D'Alema explained that Suffolk requested approximately $90 million in fall 2015 VPFP loan proceeds for water and sewer system projects and the restructuring of existing debt. He noted that Suffolk's existing VPFP exposure totals 3.49% of the VPFP portfolio. He continued that the restructuring seeks to take advantage of current rate environments to reduce annual debt service requirements over the next five years. Also, restructuring will limit annual water and sewer rate increases through FY2020, providing rate payer relief and supporting City economic development goals. Mr. D'Alema further explained that Suffolk is offering a water and sewer revenue pledge as security for the loan, with a 30-year requested loan term with principal delayed on the new money and restructure until FY2021. The restructuring will generate an estimated $2.7 million to $3.5 million in reduced debt service over the coming five years to provide capacity for the $22 million new money borrowing and will limit annual water and sewer rate increases through FY2020.

Mr. D'Alema provided background relative to population growth in Suffolk thereby requiring significant investment in water and sewer infrastructure; and a chart showing the Water and Sewer Enterprise Fund, noting that it has been self-sufficient through consistent user rate increases. He explained that Suffolk's Water and Sewer Capital Improvement Plan (CIP) includes $63.8 million in debt funded projects for the next five years and $77.1 million in debt funded projects FY2021 to FY2025. Mr. D'Alema presented the FY2014 Suffolk Water and Sewer Utility Fund Revenue Guideline metrics, noting that State aid coverage is strong and the City's General Obligation debt is rated Aa1/AAA/AAA by Moody's, Standard & Poor's, and Fitch, respectively. He shared a chart showing growth in operating revenue in the Water and Sewer Enterprise Fund. Projections in the Utility Fund will exceed the revenue covenant to existing and proposed revenue-only secured debt.

Mr. D'Alema stated that the VRA Credit Committee's recommendation is to approve the Suffolk loan request with certain security and covenants based on historic and projected financial performance. Loan security recommendations include a pledge of water and sewer system revenues and parity and consent provisions.

After discussion, Mr. D'Alema stated that the Suffolk request meets revenue guidelines. However, he said existing restructuring guidelines require that any restructuring of $25 million or more in par amount has to be approved by PRMC and the Board.

Following the motion, Mr. D'Alema reviewed the fall 2015 VPFP financing schedule noting that closing is anticipated for November 18, 2015.

Motion by Ms. Ganeriwala, seconded by Mr. Rust, that the PRMC accepts the report as presented by staff and recommends to the Full Board approval of the City of Suffolk Fall 2015C VPFP loan request.

Motion carried.

Virginia Airport Revolving Fund Update (VARF): Mr. Peter D'Alema, Director of Program Management, stated that in March 2015 VRA staff recommended the use of existing VARF program equity to redeem and defease existing VARF bonds. On May 6, 2015, $9 million was transferred from VARF equity to VRA's trustee for this action. Mr. D'Alema explained that on August 4, 2015 VARF's trustee was informed that the bond payment for the VARF Series 2002 bonds was made a day late to bondholders due to an operation issue with Citi. He concluded that VRA made the necessary disclosures related to the late payment on August 13, 2015, noting that this was strictly an operational issue of Citi and does not reflect any financial distress of VRA or the VARF airport borrowers.

Virginia Green Community Program: Mr. Peter D'Alema, Director of Program Management, stated that VRA is partnering with the Virginia Department of Mines, Minerals, and Energy

(DMME) to serve as the conduit issuer for local government for $20 million in Qualified Energy Conservation Bonds (QECB) issuance for the Virginia Green Community Program. CleanSource Capital was selected to administer the program. VRA will review and underwrite projects within current Underwriter Guidelines and any project that falls outside of the guidelines will need VRA approval. The loans are expected to be in the $1 million to $5 million range, and VRA will not be the credit provider. Mr. D'Alema mentioned that three documents are included in the Appendix including the Program Guidelines, the Administrative Service Agreement between VRA and CleanSource Capital, and a resolution authorizing VRA's participation and the Executive Director to execute the administrative agreement. Currently, there is no shelf resolution, but there may be a need in the future.

Mr. Arthur Anderson, McGuireWoods, Bond Counsel, stated that this program is not secured by the moral obligation pledge of the Commonwealth, and Mr. D'Alema added that VRA can intercept state aid of localities in the event of a conduit loan default by a borrower.

Motion by Mr. Hasty, seconded by Mr. Branscome, that the Committee recommends to the Full Board adoption of a resolution authorizing VRA's participation in the Virginia Green Community Program, and authorizing the issuance of $20 million in Qualified Energy Conservation Bonds (QECB) for local government energy related projects.

Motion carried.

The resolution is attached hereto and made a part herein.

Miscellaneous Updates

Virginia Dam Safety Flood Prevention and Protection Assistance Fund: Mr. Peter D'Alema, Director of Program Management, stated that the Dam Safety program continues to operate successfully; it is a grant only program currently, and it is a strong partnership between VRA and the Virginia Department of Conservation and Recreation. He complimented Ms. Kimberly Adams, Senior Program Manager, for day to day management of the program. He concluded that $900,000.00 was awarded to grant recipients as part of the 2015 funding cycle; and VRA will have drafted and distributed 106 grant agreements by July 2016.

Continuing Disclosure: Mr. Peter D'Alema, Director of Program Management, stated that the FY2015 continuing disclosure efforts have been underway since June 30, 2015. Material obligors in the Pooled Loan Borrower Program and Virginia Airport Revolving Fund were notified and there were no material obligors in the Virginia Pooled Financing Program and Clean Water State Revolving Fund. The FY2015 continuing disclosure requirements should be completed by October 2015. He noted that VRA has not yet received any correspondence from the Security Exchange Commission (SEC) relative to the Municipalities Continuing Disclosure Cooperation Initiative (MCDC). Mr. Arthur Anderson, McGuireWoods, Bond Counsel, added that he attended the annual Bond Lawyers Conference and no updates were presented at the bond borrowers meeting. Mr. D'Alema concluded that an article appeared in the *Bond Buyer* stating that some of the issuer settlements will be released next year.

BuyVRABonds.com: Mr. Peter D'Alema, Director of Program Management, stated that the Strategic Plan initiatives are still moving forward. He stated that staff has worked to expand and update content on the buyVRAbonds.com website.

Clean Water State Revolving Loan Fund (CWSRLF) Update: Mr. Shawn Crumlish, Director of Financial Services, stated that Natural Bridge will not be able to support its principal and semi-annual interest payment of $920,000 due on October 1, 2015. He continued that Mr. Tom Clarke, President/CEO of Virginia Conservation Foundation, has indicted that VRA will receive $450,000 in principal around December 1, 2015. Mr. Crumlish explained that the loan was made from program equity which is essentially federal grant dollars that the program has received. Mr. Crumlish concluded that security on the loan includes open space land and the bridge.

In response to the Committee, Ms. Stephanie L. Hamlett, Executive Director, explained that VRA has been advised by legal counsel not to take any action until a default has occurred. Mr. Crumlish explained that the purpose of the loan was to accommodate conservation easements to protect waterways.

There was extensive discussion relative to VCLF's ability to obtain funding to properly manage the bridge and hotel to a point that the financial obligations would be met. The Committee reaffirmed its support of staff's efforts to collect funds due from Natural Bridge.

Loan Monitoring and Compliance Update

Ms. Stephanie Jones, Program Manager/Compliance Officer, stated that there were several financial category upgrades. King George County Service Authority upgraded from "Yellow" to "Green". The Authority has Moral Obligation support from the County in addition to water and sewer revenue pledges. The second upgrade was The Nature Conservancy which is a non-profit conservation located in Arlington County. The Conservancy was rated "Red" in the FY2013 database because of its Unrestricted Cash to expenditures ratio. However, the ratio improved in the FY2014 review and the category changed to "Yellow".

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. Hasty, seconded by Mr. Branscome, to adjourn the meeting.

The motion carried, and the meeting adjourned at 5:17 p.m.

The next meeting of the Committee will be held on Monday, December 7, 2015.

D Moore

Dena Frith Moore, Chair

Stephanie Hamlett

Stephanie Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY

BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on September 15, 2015, in the Virginia Resources Authority Boardroom, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Members Present
William G. O'Brien, Chair
David Branscome
Randall P Burdette
Barbara McCarthy Donnellan
Manju Ganeriwala
Thomas L. Hasty, III
Dena Frith Moore
Steve Pellei on behalf of John J. Aulbach II, P.E.
John H. Rust, Jr.
Valerie Thomson on behalf of David K. Paylor

Members Absent
James H. Spencer, III, Vice Chair

Staff Present
Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy
Michael Cooper, Director of Administration & Operations
Shawn Crumlish, Director of Financial Services
Peter D'Alema, Director of Program Management
George Panos, Deputy Controller
Kimberly Adams, Senior Program Manager
Joseph Bergeron, Financial Services Manager
Stephanie Jones, Program Manager/Compliance Officer
Jonathan Farmer, Program Manager
Rachael Logan, Fiscal & Administrative Specialist

Others Present
Arthur Anderson, McGuireWoods, Bond Counsel
Ty Wellford, Davenport & Company, LLC
Leah Schubel, Davenport & Company, LLC

Call to Order

Mr. William G. O'Brien, Chair, called the meeting to order at 9:04 a.m.

Approval of Agenda

Motion by Mr. Hasty, seconded Ms. Moore, to approve the agenda.

Motion carried.

Acknowledgement of Staff Members

Mr. O'Brien began the Board meeting by acknowledging and commending members of the VRA staff upon attaining major accomplishments. He stated that Mr. Joseph Bergeron, Financial Services Manager, has passed Level 2 of the Charter Financial Analyst CFA program and will be a Level 3 candidate next year. Ms. Stephanie Jones, Program Manager/Compliance Officer, has been selected to fill out the remaining term of former staff member Jon McCubbin on the Board of the Virginia Government Finance Officers Association (GFOA). Mr. Michael Cooper, Director of Administration & Operations, has passed two of the required four CPA exams and is currently studying for the next two. The Board joined Mr. O'Brien in applauding the accomplishments of these staff members. He thanked them for their continued hard work and dedication to VRA and its mission.

Approval of Meeting Minutes

Mr. O'Brien called for the approval of the following meeting minutes: Municipalities Continuing Disclosure Cooperation Subcommittee meeting; Personnel Committee meeting; Portfolio Risk Management Committee meeting; and Budget Committee meeting held on June 1, 2015; and the Board of Directors meeting held on June 2, 2015.

There were no corrections to the minutes.

Motion by Mr. Rust, seconded by Mrs. Donnellan, that the following meeting minutes be approved: Municipalities Continuing Disclosure Cooperation Subcommittee meeting; Personnel Committee meeting; Portfolio Risk Management Committee meeting; and Budget Committee meeting held on June 1, 2015; and the Board of Directors meeting held on June 2, 2015.

Motion carried.

Executive Director's Report

Ms. Stephanie L. Hamlett, Executive Director, stated that the Board is in receipt of her written report, and at this time she would like to add one additional item. Ms. Hamlett stated that in keeping with the Strategic Plan, a VRA Financing Infrastructure Roundtable has been established, and Board member Mrs. Barbara McCarthy Donnellan has agreed to serve. She continued that the Roundtable has started with a group primarily from the Richmond area that includes two local government representatives from Hanover and Henrico Counties; Ms. Janet Aylor from Treasury; representatives from Davenport & Company, PFM, and Raymond James.

She noted that the Financial Advisors on the Committee do not work directly with VRA on a daily basis but are familiar with its work. The Committee also includes bond counsel representatives. They are Bonnie France of McGuireWoods and Chris Kulp of Hunton & Williams. A luncheon meeting is scheduled for October 20, 2015, and is being coordinated by Ms. Kimberly Adams, Senior Program Manager.

Ms. Hamlett stated that the agenda may include discussion on green bond issues. By next year there should be more insight relative to the direction of the group and whether it will expand. She expressed appreciation to Mr. Arthur Anderson, McGuireWoods, Bond Counsel, Mr. Ty Wellford, Davenport & Company, LLC, and Mr. Ron Tillet, Raymond & James for their assistance.

Committee Reports

Personnel Committee: Mr. Thomas L. Hasty, III, Chair, thanked Mrs. Barbara McCarthy Donnellan for presiding over the meeting in his absence.

Mr. Hasty stated that staff provided an update on the hiring process for the Controller; and hopefully, a candidate will be selected in the next few weeks. He stated that recognition was given to members of the staff for assuming additional responsibilities following the departure of Mr. Jon McCubbin, former Controller.

Audit Committee: Ms. Manju Ganeriwala, Chair, stated that the Committee received an update from VRA's Auditor, Mr. Norman Yoder from Brown Edwards. She explained that the recent GASB 68 provisions are delaying issuance of the final Comprehensive Annual Financial Report (CAFR). She noted that the audit of the financial statements is complete with the exception of GASB 68 information that the Virginia Retirement System (VRS) is to provide to VRA. She explained that this is the first time that localities and authorities have had to reflect information regarding pension and pension liabilities based on GASB 68. Ms. Ganeriwala continued that the Auditor has issued the Authority a clean opinion as in past years. However, she stated that receiving a clean opinion this year was more of an accomplishment because of the absence of the Controller, Mr. Jon McCubbin. The Committee congratulated staff for making the auditing process seamless, noting that the auditor was grateful for the staff's team efforts.

Ms. Ganeriwala concluded that because there was a clean audit, the Committee held a Closed Session with the auditor as required, and the Committee was satisfied with the way financial controls were audited.

Motion by Ms. Ganeriwala, seconded by Mr. Rust, that the CAFR be approved as presented, pending any material changes as a result of GASB 68 regulations in which case the CAFR will be brought back to the Board in December 2015; otherwise, the final audit, with letters and CAFR will be distributed when complete.

Motion carried.

Prior to the vote on the motion, Mr. Rust commended staff for their extraordinary efforts during the audit process. Ms. Moore added that Mr. Jon McCubbin was available to assist staff and the auditors throughout the audit process.

Portfolio Risk Management Committee: Ms. Dena Frith Moore, Chair, stated that Mr. Peter D'Alema, Director of Program Management, provided the Committee with an update on the 2015B Virginia Pooled Financing Program (VPFP) summer pool issuance, noting that $70.07 million was issued for eight local government borrowers that included refundings for six loans. The issuance provided savings in excess of $2.4 million on a net present value (NPV) basis. She continued that VRA has $2.28 billion in local loans outstanding. Ms. Moore stated that the Committee looked at the five-year milestone metrics for the pool, noting that 60 new borrowers were added representing an 80% increase in loan volume between FY2011 and FY2015.

Bedford Regional Water Authority (BRWA): Ms. Dena Frith Moore, Chair, stated that the Committee discussed BRWA, noting that the Authority was removed from the summer pool because of legal issues raised by a citizen group. She further noted that BRWA was encouraged to and did conduct a bond validation hearing. At this point, individuals have 15 days to file an appeal on the validation. If no appeal is filed, VRA will pursue a single borrower VPFP issuance on behalf of BRWA prior to the fall pool. The proposed issuance meets VRA Underwriting Guidelines and no PRMC or Board action is required at this time.

Fall 2015 Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, stated that originally there were twelve applications received for the 2015 VPFP fall pool; however, three applications were withdrawn resulting in nine applications for new projects. He stated that VRA contacted eligible VRA refunding candidates with at least 3% net present value (NPV) savings for possible inclusion in the fall pool. He stated that at least three localities intend to refund loans from various series 2005 pools. Should the localities move forward it will bring the total applicants for the fall pool to twelve and requested proceeds around $200 million. Mr. D'Alema shared the fall 2015 VPFP applicant list that includes borrowers, requested proceeds, project area and description, and security. He also explained why the three localities withdrew from the pool. He highlighted the largest loan applications in the pool, noting that the City of Suffolk loan request requires Board approval. Suffolk has requested $90 million in loan proceeds, including restructuring of existing VPFP exposure and approximately $30 million of new exposure. The city currently represents 3.49% of VPFP portfolio. He explained that the request meets underwriting guidelines but restructuring of debt over $25 million requires PRMC and Board approval.

Mr. D'Alema explained that Suffolk is looking to get its revenue debt rated for possible future issuances on its own; however, the goal of the proposed restructuring is to take advantage of current low interest rates. Suffolk is offering a water and sewer revenue pledge. He shared a table showing the summary of restructured debt service, noting that the restructure will generate an estimated $2.7 million to $3.5 million in additional annual debt capacity. Mr. D'Alema shared information relative to increase in population and customer growth and decrease in water consumption. He noted that Suffolk's liquidity has improved over time, state aid is very strong, management is strong and existing GO ratings are good. He shared a chart showing growth in the Water and Sewer Enterprise Fund and highlighted projected Utility Fund performance.

Mr. D'Alema concluded that the Credit Committee recommends approval of the request by the City of Suffolk based on a water and sewer revenue pledge; and that the recommendation includes parity and consent provisions.

In response to Mr. O'Brien, Mr. D'Alema explained that VRA has first lien on the water and sewer revenues of the City.

Following the motion to approve the request by the City of Suffolk, Mr. D'Alema highlighted the fall 2015 VPFP financing schedule, noting that closing is anticipated for November 18, 2015.

Motion by Ms. Moore, seconded by Mr. Rust, to approve the request by the City of Suffolk for approximately $90 million in fall 2015 VPFP loan proceeds, including provisions as outlined by staff.

Motion carried.

Hampton Roads Sanitation District (HRSD) : Ms. Dena Frith Moore, Chair, stated that Mr. Ted Henifin, General Manager, Ms. Melissa Josey-White, Acting Finance Director, and Ms. Sarah Frye, Financial Advisor, Public Financial Management, shared with the Committee that HRSD and the localities in Hampton Roads are under Federal and State consent agreements to rectify the problem of sanitary sewer overflow. She explained that each locality can correct its own infrastructure or HRSD can manage the program and create a regional approach, thus saving the region $1.967 billion. However, Ms. Moore stated, HRSD will be investing in assets they will not own, which creates a coverage problem.

HRSD, over the next ten years, would like to pay off all senior debt or pay it down to subordinate debt, and not issue any more senior debt, resulting in VRA being the vast bulk of their senior debt. She continued that HRSD has asked that VRA voluntarily come down into the subordinate debt pool so that they will have no more senior debt which gives them relief on some of the issues associated with the program.

In summary, Ms. Moore stated that HRSD is asking that action be taken by the Board at its December 2015 meeting to slightly modify current subordinate debt to match what they would like to be issuing going forward; and to commit to coming down in the capital structure ten years out when they wrap up the senior debt. In December, PRMC will receive information from staff addressing the requests. Following Committee review and deliberations, the Committee will return to the Board with a recommendation for the HRSD requests.

Mr. John H. Rust, Jr., stated that he does not have an issue with helping HRSD save and ultimately modify its indenture to subordinate debt because HRSD is a very good borrower. He continued that the issue is their ability to finance additional subordinate debt based on when VRA's senior debt is eliminated. He stated that he is looking for some comfort level to address

VRA's senior debt that will not commit VRA for ten years. Ms. Manju Ganeriwala concurred, noting that she needs additional information to be comfortable.

In response to Mr. Thomas L. Hasty, III, Ms. Hamlett stated that it is possible to obligate future boards if there are enough parameters.

In response to Mr. O'Brien's inquiry relative to the rating agencies' perspective if VRA is willing to subordinate, Mr. Ty Wellford, Davenport & Company, LLC, explained that HRSD would be in a pool of borrowers, and is a very strong borrower. Therefore, there should not be a material impact assuming ratings remained the same and no major issue occurred.

<u>Virginia Revolving Airport Fund (VRAF) Update</u>: Ms. Dena Frith Moore, Chair, stated that the Board is aware of staff using existing VARF program equity to redeem and defease existing VARF bonds. She stated that staff is currently working with the underlying airport borrowers to reset the related local loan interest rates based on market rates on May 6, 2015 which is when the defeasance occurred. Ms. Moore added that VRA was informed by its trustee, US Bank, that the bond payment for the VARF Series 2002 bonds was made a day late to bondholders due to an operational issue with Citi which is the investment provider related to the Series 2002 Revenue Fund. However, VRA has made the necessary EMMA disclosures related to this issue. If there are any fines associated with the late payment, Citi will be responsible for payment.

<u>Virginia Green Community Program (GCP)</u>: Mr. Peter D'Alema, Director of Program Management, stated that VRA has had the opportunity to expand its state agency partnerships with the addition of the Department of Mines, Minerals and Energy (DMME) through its Virginia Green Community Program, implemented under Executive Order 36 by the Governor. DMME plans to deploy $20 million in Qualified Energy Conservation Bonds (QECB) for use by local governments, private businesses, and non-profits to complete energy related projects in the Commonwealth. CleanSource Capital was selected to administer the program and VRA will serve as the conduit issuer for local government QECB issuance, VRA will provide credit analysis and will not be the credit provider for the program. Loans are anticipated to be in the $1 million to $5 million range.

Motion by Ms. Moore, seconded by Ms. Ganeriwala, to adopt a resolution authorizing VRA's participation in the Virginia Green Community Program and authorizing the issuance of $20 million in Qualified Energy Conservation Bonds (QECB) for local government energy related projects.

Motion carried.

The resolution is attached hereto and made a part herein.

<u>Miscellaneous Updates</u>: Ms. Dena Frith Moore, Chair, stated that PRMC received updates on the Virginia Dam Safety Flood Prevention and Protection Assistance Fund, the Municipalities Continuing Disclosure Cooperation and BuyVRABonds.com. She noted that additional information on the three items is available in the PRMC presentation.

Clean Water State Revolving Loan Fund Update (CWSRLF): Mr. Shawn Crumlish, Director of Financial Services, explained that the Virginia Conservation Legacy Fund, a non-profit borrower in the CWSRLF, made a loan for the acquisition of Natural Bridge. Current operation of the bridge will not support the debt service. Management has indicated that VRA will not receive full payment, but will receive a half payment on November 1, 2015, noting that full payment is due on October 1, 2015. He explained that VRA is not relying on the $925,000 to make any of its payments under the Clean Water Indenture since this is not a pledged loan. Consequently, it will not require any rating agency or EMMA disclosures. VRA staff will be working with several state entities that have an interest in the success of the project.

Loan Monitoring and compliance Update: Ms. Dena Frith Moore, Chair, stated that Ms. Stephanie Jones, Program Manager/Compliance Officer, informed PRMC that there were two risk category upgrades for localities in the Loan Monitoring database. There were no reports of downgrades.

Old Business

There was no old business.

Public Comment Period

There was no public comment.

New Business

VRA Investment Policy: Ms. Stephanie L. Hamlett, Executive Director, stated that an amendment to the investment policy allowing continuity in the event of turnover in staff is recommended. She explained that the current policy delegates the Controller authority over investments and the Controller is named the Investment Officer. The change is to delegate to the Executive Director the ability to designate and name multiple investment officers.

Mr. Joseph Bergeron, Financial Services Manager, stated that it is the intent of VRA to distribute a request for proposals (RFP) to broker dealers in the upcoming weeks. He continued that based upon some conservative cash flow capacities volume, access cash flow has been identified and will be invested long-term to generate more funds for programs. Staff has identified in the investment strategy that investments be pursued based upon cash flow projections, which are very conservative in nature. At this point, staff will send out RFPs and perform due diligence after receipt of the RFPs so that trades can take place.

Mr. Bergeron stated, in addition, staff is developing policies and procedures and the appropriate segregation of duties to remain in compliance with existing investment policies and get partners to participate that understand the intentions of the process. Mr. Bergeron stated that staff will ensure proper internal controls are in place so that there will be no issues with the audit. He concluded that staff will keep the Board apprised as they move through this initiative.

Motion by Mrs. Donnellan, seconded by Ms. Moore, to approve the amendment to the VRA Investment Policy to reflect the Executive Director's ability to designate multiple Investment Officers.

Motion carried.

<u>Tobacco Regional Revitalization Commission</u>: Ms. Stephanie L. Hamlett, Executive Director, Stated that legislation was passed that might create a Tobacco Revolving Loan Fund. She stated that Board member John H. Rust, Jr., has talked to the Tobacco Commission about VRA's willingness to assist the Commission in this new endeavor. She continued that the Commission is trying to get comfortable with a loan program versus a grant program. There has been discussion relative to some of the Commission's applicants pursuing a loan with VRA rather than the grant the localities sought initially. Because it is unclear of the timing in establishing the loan fund, staff wants to seek authority to enter into a Letter of Agreement consistent with Section 3.2-3112 of the Code of Virginia, as amended, that establishes the Revolving Loan Fund thereby ensuring VRA's ability to be reimbursed.

Motion by Mr. Rust, seconded by Ms. Ganeriwala, to authorize the VRA Executive Director to enter into an agreement with the Tobacco Regional Revitalization Commission, establishing a Virginia Tobacco Regional Revolving Fund.

Motion carried.

<u>Resolution Commending Senator Charles Colgan</u>: Ms. Jean Bass, Director of Policy, stated that VRA has relied heavily on Senator Charles Colgan over the last several years in sponsoring and guiding legislation that supported VRA. Senator Colgan, she said, has kept a watchful eye over introduced legislation impacting VRA. She continued that Senator Colgan is retiring this year after over 40 years of service, and this is an opportunity to congratulate him on his service to the Commonwealth and his continued support for VRA. The resolution commends him for his service and thanks him from the Board, Executive Director and staff for his support of VRA. She added that George Mason University is sponsoring a program in honor of Senator Colgan on September 25, 2015 in Prince William County that is to be attended by every living Virginia governor and speaker. Staff may not be present at the planned celebration at George Mason University, however, there will be opportunities to see Senator Colgan as he continues to fulfill his obligations in the Senate.

Motion by Mr. Rust, seconded by Manju Ganeriwala, to approve the resolution commending Senator Charles Colgan.

Motion carried.

The resolution is attached hereto and made a part herein.

Adjournment

Motion by Ms.Moore, seconded by Mrs.Donnellan, that the meeting be adjourned.

Motion carried and the meeting adjourned at 10:22 a.m.

The next meeting of the Board is December 8, 2015.

William G. O'Brien, Chair

Stephanie L. Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY

– RESOLUTION –

AUTHORIZING PARTICIPATION BY THE VIRGINIA RESOURCES AUTHORITY IN THE VIRGINIA SAVES GREEN COMMUNITY PROGRAM ESTABLISHED BY THE VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY, THE EXECUTION AND DELIVERY OF AN ADMINISTRATIVE SERVICES AGREEMENT RELATED TO THE PROGRAM AND THE ISSUANCE OF UP TO $20,000,000 IN QUALIFIED ENERGY CONSERVATION TAX CREDIT REVENUE BONDS DURING THE FISCAL YEAR ENDING JUNE 30, 2016

September 15, 2015

WHEREAS, the Virginia Resources Authority ("VRA") is a public body corporate and a political subdivision of the Commonwealth of Virginia (the "Commonwealth") created by the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended (the "Act"); and

WHEREAS, the Act provides that VRA was created for the purpose of encouraging the investment of both public and private funds and to make loans, grants and credit enhancements available to local governments to finance or refinance the costs of the facilities or projects now or hereafter described in Section 62.1-199 of the Act, including without limitation energy conservation measures and facility technology infrastructure as defined in Section 11-34.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), and other energy objectives as defined in Section 67-101 of the Virginia Code (each a "Project" and, as a group, the "Projects"); and

WHEREAS, under the Act VRA is authorized and empowered, among other things,

1. to borrow money and issue its bonds in amounts VRA determines to be necessary or convenient to provide funds to carry out its purposes and powers and to pay all costs and expenses incurred in connection with the issuance of bonds;

2. to refund any bonds by the issuance of new bonds, whether the bonds to be refunded have or have not matured, whenever VRA deems refunding expedient;

3. to secure bonds issued by VRA by a pledge of any local obligation owned by VRA;

4. to purchase and acquire local obligations to finance or refinance the cost of any Project, using any funds of VRA available for such purpose; and

5. to make and execute contracts and all other instruments and agreements necessary or convenient for the performance of VRA's duties and the exercise of VRA's powers and functions under the Act and to enter into agreements with any department, agency or instrumentality of the Commonwealth for the purpose of planning, regulating and providing for the financing of any Projects; and

WHEREAS, acting pursuant to the directive of the Governor of Virginia set forth in Executive Order 36 (2014) ("EO 36"), the Virginia Department of Mines, Minerals and Energy ("DMME") has created the Virginia SAVES Green Community Program (the "Program") to provide subsidized financing to private commercial and industrial, non-profit institutional and local government borrowers for energy efficiency, renewable energy, alternative fueling, and other qualified conservation purposes across the Commonwealth; and

WHEREAS, the Program is further described in the documents entitled "Virginia SAVES Program Guidelines and Policies" and "Virginia SAVES Program Technical Guide" (the "Program Documents"), which Program Documents have been presented to this meeting and may be updated from time to time by DMME; and

WHEREAS, it is anticipated that most of qualified conservation purposes will, if undertaken by local governments, constitute Projects qualified for VRA financing under the Act; and

WHEREAS, the subsidized financing is expected to be provided through the use of Qualified Energy Conservation Bonds ("QECBs") issued on a conduit basis by the Virginia Small Business Finance Authority for private borrowers and VRA for local governments; and

WHEREAS, QECBs are qualified tax credit bonds authorized by and described in Sections 54A and 54D of the Internal Revenue Code of 1986, as amended (the "Tax Code"), the issuer of which is eligible under Section 6431 of the Tax Code to receive a refundable tax credit subsidy equal to lesser of (i) the amount of interest payable under the QECBs on each interest payment date, or (ii) seventy percent (70%) of the amount of interest which would have been payable under such QECBs on such date if such interest were determined at the applicable credit rate determined by the Secretary of the Treasury of the United States; and

WHEREAS, the Program works with third-party funding sources to provide financing for the Projects and VRA will sell its QECBs to such funding sources; and

WHEREAS, the Program will be administered by CleanSource Capital, LLC. (the "Administrator"), which was selected for such purpose by DMME and has proposed that VRA enter into an Administrative Services Agreement (the "Administrative Services Agreement") to provide for both the Administrator's and VRA's duties and obligations with respect to VRA's participation in the Program; and

WHEREAS, a form of the Administrative Services Agreement been presented to this meeting; and

WHEREAS, to further the purposes of the Act and the Program, VRA has determined to issue up to $20,000,000 in aggregate principal amount of its revenue bonds in the form of QECBs (the "FY 2016 QECBs"); and

WHEREAS, VRA will use the proceeds of the FY 2016 QECBs to (i) acquire and purchase the local obligations (the "Local Obligations") of any or all of the local governments (collectively, the "Local Governments") to which the Director of DMME has offered to allocate portions of Virginia's QECB allocation under Section 54D of the Tax Code to finance the cost of Projects selected to be financed under the Program (the "Selected Projects") and to pay the issuance costs of the FY 2016 Bonds; and

WHEREAS, EO 36 provides that no QECBs issued under the Program will constitute "state-supported debt" without the prior approval of the General Assembly; and

After careful consideration and to further the public purposes for which VRA was created, NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF VRA THAT:

1. **Findings and Determinations.** It is hereby found and determined that (i) there continues to exist in the Commonwealth of Virginia a critical need for additional sources of funding to finance the Commonwealth's present and future needs for the Selected Projects, (ii) the Program, the provisions of the Administrative Services Agreement and the issuance of the FY 2016 QECBs will alleviate in part this need by encouraging the investment of both public and private funds in a manner that is cost-effective, promotes the efficient use of VRA's capacity to issue bonds; provided that none of the FY 2016 QECBs will be secured by a "capital reserve fund" as described in Section 62.1-215 of the Act or otherwise constitute "state-supported debt" within the meaning of EO 36 without the General Assembly's prior approval, and (iii) VRA's participation in the Program, the approval of the Administrative Services Agreement and the issuance of the FY 2016 QECBs to finance the Selected Projects are in the public interest, serve a public purpose and will promote the health, safety, welfare, convenience or prosperity of the people of the Commonwealth.

2. **Approval of Administrative Services Agreement.** The form of the Administrative Services Agreement is approved. The Chairman and Executive Director, either of whom may act, are authorized to execute and deliver on VRA's behalf, and, if required, the Executive Director is authorized to affix and attest VRA's seal to, the final Administrative Services Agreement in substantially the form submitted to this meeting, with such changes, insertions or omissions as may be approved by the Chairman or Executive Director. Such approval shall be evidenced conclusively by the execution and delivery of the Administrative Services Agreement on VRA's behalf.

3. **Authorization of the FY 2016 QECBs; Basic Terms.** There is hereby authorized the issuance at one time or from time to time of one or more series of the FY 2016 QECBs. VRA shall use the proceeds of the issuance and sale of each series of the FY 2016 QECBs as described in the Recitals above. Each series of the FY 2016 QECBs shall be (i) payable primarily from payments of the principal of and interest, if any, on the local obligations and the investment earnings on the local obligation principal payments and (ii) secured primarily by a pledge of such payments and earnings, as well as the "state-aid intercept" provided in Section 62.1-216.1 of the Act to the extent available. None of the FY 2016 QECBs will be secured by a "capital reserve fund" as described in Section 62.1-215 of the Act or otherwise constitute "state-supported debt" within the meaning of EO 36 without the General Assembly's

prior approval. It is hereby found and determined that the debt service payments on the FY 2016 QECBs are not expected to be made, in whole or in part, directly or indirectly, from appropriations of the Commonwealth within the meaning of Section 2.2-2416(7) of the Virginia Code.

4. Specific Details of the FY 2016 QECBs. VRA's Chairman and Executive Director are authorized to determine and approve the final details of each series of the FY 2016 QECBs, including without limitation, the title, series designation, dated date, original aggregate principal amount, interest rates, maturity dates, redemption provisions, sale prices, and the principal amount of each maturity; provided, however, that (i) the original aggregate principal amount of the FY 2016 QECBs shall not exceed $20,000,000; (ii) no series of the FY 2016 QECBs shall have a true interest cost in excess of 7.50%; and (iii) the final maturity any of the FY 2016 QECBs of any series shall be no later than the maximum term permitted under Section 54A of the Tax Code. The approval of the Chairman and Executive Director of such details with respect to any series of FY 2016 QECBs shall be evidenced conclusively by the execution and delivery thereof on VRA's behalf.

5. Preparation, Execution, Authentication and Delivery of FY 2016 QECBs. The Executive Director is authorized and directed to have the FY 2016 QECBs of each series prepared in industry standard or typical forms as she may determine in consultation with the Administrator and VRA's bond counsel, to have such FY 2016 QECBs executed, and to cause the executed FY 2016 QECBs to be delivered to or for the account of the initial purchaser or purchasers thereof upon payment of the agreed-upon purchase price thereof as provided in the related bond purchase agreement.

6. Sale of FY 2016 QECBs. Each series of FY 2016 QECBs may be sold to purchasers identified and selected by the Administrator in accordance with the Program. With respect to each series of FY 2016 QECBs, the Executive Director is authorized to execute and deliver a bond purchase agreement with the purchaser providing for the sale and delivery of the FY 2016 QECBs upon terms and conditions to be approved by the Chairman and Executive Director within the parameters set forth in paragraphs 3 and 4 above.

7. Participating Local Governments. Without the need for additional approval by this Board, the Executive Director is authorized on behalf of VRA to accept and approve applications from Local Governments to be participants in the Program through VRA's purchase or acquisition of their Local Obligations and to prepare and execute financing documents with the approved Local Governments. The criteria for approving the purchase or acquisition of Local Obligations from participating Local Governments shall in no event be less stringent than VRA's internal credit criteria previously approved by this Board.

8. Tax Matters. The Executive Director is authorized to execute and deliver on VRA's behalf simultaneously with the issuance of each series of FY 2016 QECBs a Tax Regulatory Agreement and/or similar agreements or certificates. The Tax Regulatory Agreement and/or similar agreements or certificates shall set forth the expected use of and investment of all or any portion of the proceeds of each series of the FY 2016 QECBs and include such elections to be made on VRA's behalf, representations, certifications, provisions and covenants as the Executive Director may be necessary to qualify each series of the FY 2016 QECBs as "qualified tax credit bonds" and QECBs under Section 54A et. seq. of the Tax Code. The calculation of "true interest cost" of any series of the FY 2016 QECBs for purposes of paragraph 4 hereof may take into account the net benefit expected to be received by VRA from the issuance of FY 2016 QECBs as QECBs as determined by the Executive Director.

9. Investment of FY 2016 QECB Proceeds and Related Amounts. The investment of the proceeds of any series of FY 2016 QECBs and other amounts credited to any of the funds or accounts related to such FY 2016 QECBs will be governed according to VRA's Investment Policy and by the sections of the bond purchase agreement and financing documents related to permitted investments. In addition, the Executive Director is authorized to contract with the Virginia State Non-Arbitrage Program and/or an arbitrage rebate consulting firm to provide investment and/or arbitrage compliance services with respect to the FY 2016 QECBs.

10. Authorization of Further Actions. Each officer of VRA is authorized to execute and deliver on VRA's behalf such other instruments, documents or certificates, and to do and perform such things and acts as he or she shall deem necessary or appropriate to carry out the transactions authorized or contemplated by this Resolution. Any of the foregoing previously done or performed by any officer of VRA is in all respects approved, ratified and confirmed.

11. Effective Date; Termination. This Resolution shall take effect immediately. The authority to issue FY 2016 QECBs pursuant to this Resolution shall terminate on June 30, 2016.

Board of Directors' Resolution Commending Senator Charles J. Colgan

On the Occasion of his Retirement from the Senate of Virginia

September 14, 2015

WHEREAS, in 1977 and continued yearly until 1983 when made permanent, the State Water Study Commission was created to recommend to the General Assembly ways to address the water supply and allocation needs of Virginia localities; and

WHEREAS, the Commission observed that the use and allocation of Virginia's water resources were inadequate to assure economically and environmentally effective management; and

WHEREAS, coincident with the need for expanding water supply facilities to meet future withdrawal demand there was a continuing need for replacement, rehabilitation and expansion of wastewater treatment works; and

WHEREAS, in 1984, the Commission considered the financing of local capital projects for water supply and wastewater treatment needs and recommended the establishment of a Water and Sewer Assistance Authority to assist localities in financing their water supply and sewage treatment needs; and

WHEREAS, in 1984, legislation sponsored and championed by the Commission's Co-chairman Senator Charles J. Colgan was approved creating the Virginia Water and Sewer Assistance Authority, operating since 1989 as the Virginia Resources Authority; and

WHEREAS, since that time, Senator Charles J. Colgan has continued to provide oversight and guidance over matters relating to the Virginia Resources Authority and has acted as the Authority's chief proponent in the General Assembly with legislation strengthening its credit enhancements, raising its debt capacity, promoting its efficient and effective financial management capability and extending beyond water and sewer projects the project types eligible for Virginia Resources Authority financing; and

WHEREAS, now in its 31st year, with investments totaling $7 billion in over 1,000 projects across Virginia, the Virginia Resources Authority has established itself as a premier municipal bond bank supporting Virginia localities with access to cost-effective, sustainable, and innovative financial solutions for projects that support vibrant and healthy communities; and

WHEREAS, because of the leadership and support of Senator Charles J. Colgan, the Virginia Resources Authority's contribution to localities in the financing of essential capital projects improves the well-being of Virginia communities and the quality of life of all Virginians; now, therefore, be it

RESOLVED, that the Board of Directors, Executive Director, and staff of the Virginia Resources Authority extend its congratulations to Senator Charles J. Colgan on the occasion of his retirement from the Senate of Virginia and express their heartfelt gratitude and appreciation for his support of the Virginia Resources Authority and his service to the Commonwealth.

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Stephanie L. Hamlett, Secretary of the Board of Directors