

**Virginia Resources Authority  
Audit Committee  
Minutes of the Regular Meeting  
Held September 9, 2019**

The Audit Committee of the Virginia Resources Authority met on Monday, September 9, 2019, in the Virginia Resources Authority Boardroom, Bank of America Building, 19<sup>th</sup> Floor, Suite 1920, 1111 East Main Street, Richmond, Virginia.

The following Committee members were present and acting throughout the meeting: Ms. Mary Bunting, Ms. Manju Ganeriwala, Mr. Reginald Gordon, Mr. Thomas L. Hasty, III, Mr. Dwayne Roadcap. VRA Staff present included: Ms. Stephanie Hamlett, Ms. Jean Bass, Mr. Joseph Bergeron, Mr. Shawn Crumlish, Mr. Peter D'Alema, Mr. Curtis Doughtie, Ms. Stephanie Jones, Ms. Tracy Gordon, and Ms. Catherine O'Brien. Greg Bussink from Clifton, Larsen Allen, LLP was also in attendance.

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

The meeting was called to order at 1:03 p.m. and upon motion made by Mr. Hasty and seconded by Mr. Roadcap the agenda as presented was approved. Ms. Ganeriwala introduced Mr. Doughtie, Director of Administration and Finance to present to the Committee a review of Fiscal Year 2019 Audit.

**Presentation of Fiscal Year 2019 Audit**

Mr. Doughtie welcomed everyone and then introduced Mr. Greg Bussink, Principal and lead auditor from Clifton Larson Allen, LLP for presentation of the Fiscal Year 2019 Audit. Mr. Bussink thanked Mr. Doughtie and VRA staff for their help with the Audit and noted that Clifton Larson Allen 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 2019 Audit, indicating that there were no findings, and Clifton Larson Allen, LLP had issued an unmodified opinion. Each area of the audit was "clean," and Mr. Bussink acknowledged VRA management for their cooperation and further complimented management's readiness for anticipated accounting standard changes in the coming years.

**Closed Session with Auditors**

Ms. Ganeriwala called for a motion 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 and consideration of the performance, compensation, and promotion of specific public officers, employees or appointees of VRA in connection with the annual audit. Motion by Ms. Bunting, seconded by Mr. Roadcap.

## **Open Session**

The open session convened at 1:21 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 9, 2019 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, 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. Ganeriwala, seconded by Ms. Bunting that the above-stated resolution certifying closed session be approved. Members present unanimously approved the motion on a roll call vote, and the motion carried was unanimous.

Ms. Ganeriwala then called upon Mr. Doughtie to provide a review of the FY 2019 Comprehensive Annual Financial Report and a general financial overview highlighting the Authority's significant financial activity.

Mr. Doughtie said VRA funded 123 loans/grants across several project areas to 77 entities for a total investment of \$285.1 million in FY 2019, and the Authority maintained its excellent credit ratings that enable VRA to provide cost-effective financing to Virginia's communities.

Ms. Ganeriwala asked Mr. Doughtie to clarify for Board members the section relating to operating loss. Mr. Doughtie pointed out that while it may appear that VRA is operating at a loss, the grants (or principal forgiveness loans) funded through the Authority only create the appearance of an operating loss due to their revenue source classification as "non-operating" rather than as operating. Demonstrating through a prepared chart, Mr. Doughtie stated the

Authority's total net position over the last 10 years shows an increase. Assets exceed liabilities by \$1.7 billion, an increase of 5%.

Ms. Ganeriwala thanked Ms. Hamlett, Mr. Doughtie and the staff team involved in preparing this year's financial statements and audit, noting the skill and talent present on VRA staff. Mr. Hasty further recognized the on-time completion of these required reports as an accomplishment that is not achieved by all organizations.

#### **Action Item**

Motion to recommend to the VRA Board that the fiscal year 2019 CAFR be approved as presented. Motion by Mr. Gordon and seconded by Mr. Hasty, to approve the CAFR as presented to the Committee. Motion carried.

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

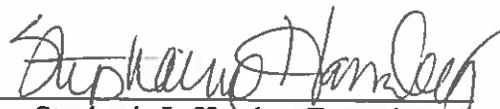
Mr. Doughtie then provided a review of the Audit Committee Charter as part of the annual review. There were no proposed change to the charter for this year. He also asked that Committee Members complete, sign and submit the certification and disclosure form that is required by the charter. The forms will be reviewed by the Chairman of the VRA Board of Directors.

#### **Agency Risk Management and Internal Control Standards (ARMCIS)**

Mr. Doughtie gave a brief overview of the ARMICS process, noting that VRA conducts annual evaluation and testing of agency-level and transaction-level controls. This is accomplished through interviews with staff, sampling and testing documentation of controls. Mr. Doughtie indicated that no control findings have been identified, and VRA will finalize its annual certification prior to the September 30 deadline.

#### **Adjournment**

There were no new items or any further business to come before the meeting. No public comment. The meeting adjourned at 1:40 p.m.



Stephanie L. Hamlett, Executive Director  
Board Secretary

APPROVED:



Ms. Manju Ganeriwala, Chair

**Virginia Resources Authority  
Portfolio Risk Management Committee Meeting  
Minutes of the Regular Meeting  
Held September 9, 2019**

The Portfolio Risk Management Committee Meeting of the Virginia Resources Authority (VRA) met on Monday, September 9, 2019 in the Virginia Resources Authority Boardroom, Bank of America Building 19<sup>th</sup> Floor, Suite 1920, 1111 E Main Street, Richmond, VA.

The following Committee members were present and acting throughout the meeting: Mr. Tom Hasty and Ms. Valerie Thomson. Ms. Barbara Donnellan and Ms. Manju Ganeriwala were absent from the Committee meeting. Other Board members present included: Ms. Cynthia V. Bailey and Ms. Mary Bunting.

VRA Staff present included: Ms. Stephanie Hamlett, Ms. Kimberly Adams, Ms. Jean Bass, Mr. Joseph Bergeron, Mr. Shawn Crumlish, Mr. Peter D'Alema, Mr. Curtis Doughtie, Mr. Jonathan Farmer, Ms. Stephanie Jones, Ms. Tracy Gordon, Mr. Spencer Murray, Ms. Catherine O'Brien, Ms. Andrea Pearson and Mr. Richard Rhodemyre. Additional attendees were Arthur Anderson of McGuireWoods LLP and Ty Wellford, Davenport and Company, LLC.

The meeting was called to order by Mr. Hasty at 2:01 p.m. and upon motion duly made by Ms. Thomson and seconded by Ms. Bailey; the agenda as presented was agreed upon by the members in attendance.

Mr. Hasty recognized Ms. Hamlett, who introduced Ms. Cynthia Bailey, the newest member of the Board of Directors, recently appointed by the Governor. Ms. Hamlett noted Ms. Bailey's career in state government, particularly in the Office of the Attorney General and as director of the Department of Waste Management, now a part of DEQ, during the Baliles and Wilder Administrations making her a great addition to the VRA Board. Ms. Bailey replaced David Branscome whose Board term expired on June 30, 2019.

Mr. Hasty remarked that Committee Chairman Barbara Donnellan was unable to attend the meeting. Chairing the committee in her stead, Mr. Hasty introduced Mr. D'Alema, Director of Program Management, to present to the Committee.

**2019B Summer VPPF Pooled Transaction Summary**

Mr. D'Alema, Director of Program Management, provided the Committee with an overview of the results of the 2019B VPPF pool. According to Mr. D'Alema, VRA sold \$93.89 million in VPPF bonds on July 24, 2019, funding 15 loans on behalf of 13 local governments. These loans financed and refinanced projects in six of VRA's authorized project areas. Additionally, 'AAA/AA' ratings for the VPPF were confirmed as part of the issuance. Of those in the transaction, 11 of the 15 loans (representing over \$66 million in prior debt) had refunding components that resulted in almost \$8 million in net present value savings for the borrowers.

## **VPFP Portfolio Update**

Mr. D'Alema next reviewed the VPFP portfolio for the Committee. The portfolio is currently comprised of \$2.448 billion in total borrower loans outstanding, subsequent to the VPFP Series 2019B issuance.

With respect to VRA's Commonwealth moral obligation (MO) debt capacity as of June 30, 2019, VRA's outstanding debt backed by the Commonwealth's MO totals \$926.5 million. Since 2012, MO debt outstanding averaged \$879.6 million. Following the 2017 federal Tax Cuts and Jobs Act (TCJA), MO debt has shown a slight decreasing trend. VRA staff and bond counsel are discussing options for reducing the Authority's reliance on the Commonwealth's moral obligation pledge. Mr. D'Alema indicated that staff anticipates these discussions to continue as the VRA Board and staff embark on a strategic planning initiative that will take into account progress made and goals reached with established performance measures. Ms. Hamlett added that efforts will be made to align VRA goals within the framework of its statutory constraints and the interests and priorities of the Administration.

## **Fall 2019C VPFP Update**

Mr. D'Alema next provided the Committee with an update on the Fall 2019C VPFP issuance noting that VRA is considering 9 active loan requests totaling \$140 million. VRA conducted due diligence call with applicants in August. Due to changes in federal tax law in 2017, tax-exempt bonds may only be refunded through taxable bonds. Because current taxable rates are favorable VRA staff is working with 21 current borrowers that would benefit from refunding those loans in the 2019C Pool. With 9 potential new borrowers and 21 potential refundings, the 2019C pool may be the Authority's largest issuance with a possible 30 total borrowers and up to \$400 million in estimated par issuance.

Mr. D'Alema indicated that 6 of the new financings considered for the upcoming fall sale are new exposure loan requests seeking at least \$10 million in project fund proceeds. Of the six, 5 meet the VRA's existing underwriting guidelines, but 1 application, that of Hanover County, will require approval by the full VRA Board of Directors. Mr. D'Alema introduced Mr. Jon Farmer, Senior Program Manager, to provide details on the Hanover County application.

Mr. Farmer explained to the Committee that Hanover County has applied for a \$12.94 million loan for several construction projects. The loan is to be secured by a special fund revenue pledge (SFR). Hanover County's existing SFR exposure through VRA is currently \$50.47 million. VRA credit guidelines provide that total borrower exposure over \$25 million requires PRMC and Board review and approval. Mr. Farmer provided a summary of the credit committee analysis of Hanover County's loan application which showed the strong financial position of the County. Staff requests that the PRMC recommend and the full VRA Board of Directors approve the Hanover County loan application. The consensus of the Committee

members present was to recommend to full VRA Board of Directors the approval of a loan to Hanover County of up to \$12.94 million from the VFPF Series 2019C.

Mr. D'Alema indicated that the Fall sale is scheduled to close on November 20, 2019, one week later than formerly anticipated, due to the high volume of loans for new money and refunding borrowers.

### **Revolving Loan Fund Update**

Mr. Shawn Crumlish, Director of Financial Services, next provided the Committee with program updates and presented Bond Reimbursement Resolutions for the Drinking Water and Clean Water programs. The resolutions would allow VRA to be able to fund loans in these programs and to reimburse itself with bond proceeds. Ms. Hamlett recognized Mr. Arthur Anderson, VRA bond counsel, who indicated that the resolutions are not binding, but preserve VRA's ability to reimburse itself for funds disbursed through the programs prior to a bond sale.

Board members present unanimously agreed to recommend the Bond Reimbursement Resolutions.

### **Compliance Update**

Ms. Stephanie Jones, Senior Program Manager/Compliance Officer provided the Committee with a loan monitoring and compliance update. A summary page was provided that listed each VRA program and the risk category composition of each.

Thanking Mr. Spencer Murray, VRA Loan Compliance Analyst, for his support in the effort, Ms. Jones explained that the Compliance team had reviewed the financial statements of nearly 300 VRA borrowers in order to conduct the compliance analysis.

Mr. Hasty thanked Ms. Jones and staff for their work, noting that it was a tremendous accomplishment to have this magnitude of information summarized on one sheet.

### **Adjournment**

There were no new items or any further business to come before the meeting. The meeting adjourned at 2:43 p.m.

  
Stephanie L. Hamlett, Executive Director  
Board Secretary

**APPROVED:**  
  
Mr. Thomas L. Hasty, III, on behalf of  
Ms. Barbara McCarthy Donnellan, Chair

**Virginia Resources Authority  
Board Meeting  
Minutes of the Regular Meeting  
Held September 10, 2019**

The Board of Director of the Virginia Resources Authority met on Tuesday, September 10, 2019 in the Virginia Resources Authority Boardroom, Bank of America Building 19<sup>th</sup> Floor, Suite 1920, 1111 E Main Street, Richmond, VA.

The following Board members were present and acting throughout the meeting: Mr. Thomas Hasty, Chairman, Ms. Mary Bunting, Ms. Cynthia Bailey, Mr. Reginald Gordon, Mr. Keith Komegay for Dr. Norman Oliver, Mr. John Michael Swain for Mr. Mark Flynn, Mr. Cecil Harris, Ms. Manju Ganeriwala, and Ms. Valerie Thomson for David Paylor. Ms. Barbara Donnellan and Ms. Jennifer Bowles were absent from the Board meeting.

VRA staff present included: Ms. Stephanie L. Hamlett, Ms. Kimberly Adams, Ms. Jean Bass, Mr. Joseph Bergeron, Mr. Shawn Crumlish, Mr. Peter D'Alema, Mr. Curtis Doughtie, Mr. Jon Farmer, Ms. Tracy Gordon, Ms. Stephanie Jones, Mr. Spencer Murray, Ms. Catherine O'Brien, Mr. George Panos, and Ms. Andrea Pearson. Additional attendees were Mr. Arthur Anderson of McGuire Woods, LLP, Mr. Greg Bussink of Clifton Larsen Allen, LLP, and Mr. Ty Wellford of Davenport & Company, LLC.

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

The Chair called the meeting to order at 9:00 a.m. and upon motion duly made by Mr. Harris and seconded by Mr. Gordon, 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 by Mr. Gordon and seconded by Ms. Bunting and carried by affirmation votes of all the Directors noted above as being present, the minutes of Personnel Committee, Budget Committee, and the Portfolio Risk Management Committee held on June 10, 2019 and a regular meeting of the Board of Directors held on June 11, 2019, were approved as previously distributed.

### **Executive Director Report**

Chairman Hasty called on Ms. Hamlett, Executive Director, to present the Executive Director's Report to the Board that was previously provided to the Board. Ms. Hamlett said she would present several highlights from the Report and she began by stating that the VRA staff continues to work toward establishing an investment advisory committee. Ms. Hamlett called upon Mr. Bergeron to provide a status report of the progress of this project. Mr. Bergeron said any member of the Board with an interest in participating is encouraged to and that he anticipates that the remainder of the committee would be made up of members of staff and some investment professionals from outside the organization. The committee, he said, would meet one or possibly two times a year to discuss the performance of the Authority's investments and make

recommendations to the Board of Directors regarding investment decisions. Staff plans to finalize the membership and hold the first meeting of the committee before the end of 2019.

Ms. Hamlett also provided an update for the Board on discussions regarding reducing the Authority's reliance on the Commonwealth's moral obligation. Further discussion, she noted, is likely to take place in the context of the upcoming update to the Strategic Plan, and VRA staff will provide alternatives for the Board's consideration. Other areas contemplated to be discussed as a part of the update to the Strategic Plan include coastal resiliency and strengthening VRA's relationships with partner agencies as well as facilitating relationships among agency partners.

Ms. Hamlett mentioned that VRA staff has reached out to the Trust for Public Land with regard to the Clean Water Revolving Loan Fund loan for Natural Bridge. The Trust, she said, may have an interest in becoming involved, which may help resolving the loan compliance issues VRA has identified with the Virginia Conservation Legacy Fund.

Looking ahead to the 2020 Session of the General Assembly, Ms. Hamlett indicated that Evan Feinman, Executive Director of the Tobacco Region Revitalization Commission and the Chief Broadband Advisor to the Governor, had reached out to her regarding potential appropriations to the Broadband Revolving Loan Fund. Recognizing the independence of the Authority Board as a policy board, Ms. Hamlett had not committed to initiating an appropriations request on behalf of VRA. However, she did indicate that the Authority could provide general support and indicate its willingness to administer the fund if appropriations to it are made.

Finally, Ms. Hamlett recognized Cynthia Bailey, the newest gubernatorial appointee to the Board of Directors. Ms. Bailey's service to the Commonwealth includes time in the Office of the Attorney General, as well as having served on the VRA Board in an ex-officio capacity in the early years of the Authority's existence. She has also practiced environmental law in the private sector. Those present welcomed Ms. Bailey.

## **Committee Reports**

### ***Audit Committee***

Mr. Hasty recognized Ms. Ganeriwala, the Chair of the Audit Committee, who introduced Mr. Doughtie, Director of Administration and Finance to present to the Board a review of the Fiscal Year 2019 Audit. Mr. Doughtie welcomed everyone and then introduced Mr. Greg Bussink, Auditor from Clifton Larson Allen, LLP for presentation of the Fiscal Year 2019 Audit. Mr. Bussink thanked Mr. Doughtie and VRA staff for their help with the Audit and noted that Clifton Larson Allen 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 2019 Audit, indicating that there were no findings, and Clifton Larson Allen, LLP had issued an unmodified opinion. Each area of the audit was "clean," and Mr. Bussink recognized VRA management for their cooperation and support and noted that VRA has once again received an award from the Government Finance Officers Association (GFOA) for the Authority's financial statements. Ms. Ganeriwala thanked Mr. Bussink and VRA staff, and recognized the accomplishment of a clean audit.

Ms. Ganeriwala then called upon Mr. Doughtie to provide a review of the FY2019 Comprehensive Annual Financial Report (CAFR). Mr. Doughtie provided the Board with a review of the Authority's significant financial activity in FY 2019, calling particular attention to the Management Discussion and Analysis portion of the CAFR, a narrative provided by the Authority's management. Among the highlights, he said, VRA funded 123 loans/grants across several project areas to 77 entities for a total investment of \$285.1 million, and the Authority maintained its excellent credit ratings that enable VRA to provide cost-effective financing to Virginia's communities.

Clarifying the CAFR section relating to operating loss, Mr. Doughtie reminded the Board that while it may appear that VRA is operating at a loss, the grants (or principal forgiveness loans) funded through the Authority only create the appearance of an operating loss due to their classification as "non-operating" rather than as revenues. Further, the Authority's total net position over the last 10 years shows an increase.

Motion by Ms. Ganeriwala, seconded by Ms. Thomson, that the CAFR be approved as presented. Motion carried by unanimous vote of the members present.

Mr. Doughtie next reported that the Audit Committee had reviewed the Audit Committee Charter and VRA's Agency Risk Management and Internal Control Standards (ARMICS). He explained that the ARMICS is an internal controls test conducted by management, and that the review had not identified any deficiencies in the organization's internal controls.

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

Mr. Hasty, 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 provided an overview of his presentation to PRMC. The first item was an update on the activities of the Virginia Public Finance Pool (VPFP). VRA, he said, sold \$93.89 million in VPFP bonds on July 24, 2019, funding 15 loans on behalf of 13 local governments. These loans financed and refinanced projects in six of VRA's authorized project areas. Additionally, 'AAA/AA' ratings for the VPFP were confirmed as part of the issuance. Of those in the transaction, 11 of the 15 loans in the transaction, representing over \$66 million in prior debt, had refunding components that resulted in almost \$8 million in net present value savings for the borrowers.

Reviewing the portfolio of the pool, Mr. D'Alema indicated that the portfolio is currently comprised of \$2.449 billion in total borrower loans outstanding. VRA's outstanding debt backed by the Commonwealth's moral obligation (MO) currently totals \$926.5 million. Since 2012, MO debt averaged \$879.6 million. As previously mentioned, VRA staff and bond counsel are discussing options for reducing the Authority's reliance on the Commonwealth's moral obligation.

Mr. D'Alema next provided the Committee with an update on the Fall 2019C VPFP issuance noting that VRA is considering 9 active loan requests totaling \$140 million. VRA

conducted due diligence call with applicants in August. Due to changes in federal law through the federal Tax Cuts and Jobs Act (TCJA) in 2017, tax-exempt bonds that are advance refundings may only be refunded through taxable bonds; however, current taxable rates are favorable, and VRA staff has identified 21 current borrowers that would benefit from refunding prior loans in the 2019C Pool. With 9 potential new borrowers and 21 potential refundings, the 2019C pool may be the Authority's largest issuance with 30 total borrowers and up to \$400 million in funds.

Mr. D'Alema indicated that 6 of the new financings considered for the upcoming fall sale are new exposures for the Authority. Five of the applications meet the VRA's existing underwriting guidelines, but one application will require approval by the full VRA Board of Directors. Mr. D'Alema introduced Mr. Farmer to provide details on this application. Mr. Farmer explained to the Committee that Hanover County has applied for a \$12.94 million loan for 3 construction projects. The loan is requested to be secured by a special fund revenue pledge (SFR). Hanover County's existing SFR exposure through VRA is \$50.47 million (anything over \$25 million requires PRMC and Board review and approval). Mr. Farmer provided a summary of the credit analysis of Hanover County's loan application which showed the strong financial position of the county.

The consensus of the Board members present at the PRMC meeting was, Mr. Farmer said, to recommend to the VRA Board of Directors the approval of a loan to Hanover County of up to \$12.94 million from the VPPF Series 2019C.

Motion by Ms. Thomson, seconded by Mr. Gordon, to approve a loan to Hanover County of up to \$12.94 million from the VPPF Series 2019. Motion carried with Mr. Harris abstaining.

Mr. Crumlish, Director of Financial Services next provided the Board with an overview of two Bond Reimbursement Resolutions that were presented to PRMC. These resolutions, he said, would allow the Authority to reimburse the Clean Water and Drinking Water programs for disbursements made before a bond sale. Not binding, these resolutions do not obligate VRA to sell bonds, but would provide flexibility to do so if program volume lead to that decision and to reimburse for expenditures made prior to approval of a bond resolution. Mr. Crumlish indicated that the Clean Water program has a high volume of interest currently, and is anticipated to continue to be heavily subscribed due to high dollar projects on the horizon. While the Drinking Water program has not previously been leveraged, current demand may now be sufficient for VRA to consider authorizing bonds for the program. He explained that this may be further discussed at a future meeting of the Board.

Motion by Mr. Harris, seconded by Ms. Bunting, to approve the Bond Reimbursement Resolutions for Clean Water and Drinking Water.

Ms. Jones, Senior Program Manager/Compliance Officer, provided the Board with the final update from the PRMC meeting. Ms. Jones explained that the Compliance team had reviewed the financial statements of nearly 300 VRA borrowers in order to conduct the

compliance analysis. A summary page was provided that listed each VRA program and the risk category composition of each.

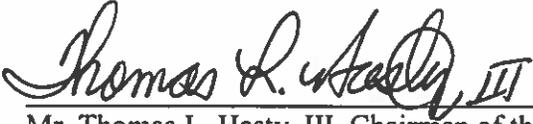
Mr. Hasty thanked Ms. Jones and staff for their work, noting that it was a tremendous accomplishment to have this magnitude of information summarized on one sheet.

### **Adjournment**

Prior to adjournment, Ms. Hamlett thanked the Board members for their attendance and support. After Ms. Hamlett's comments, there were no new items or any further business to come before the meeting. No public comment. The meeting adjourned at 10:00 a.m.

  
Stephanie L. Hamlett, Executive Director  
Board Secretary

APPROVED:

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