

**Virginia Resources Authority  
Portfolio Risk Management Committee Meeting  
Minutes of the Regular Meeting  
Held December 11, 2023**

The Portfolio Risk Management Committee of the Board of Directors of the Virginia Resources Authority (VRA) met on Monday, December 11, 2023, in the O'Brien Boardroom, Bank of America Building, 19<sup>th</sup> Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Committee members were present and acting during the meeting: Ms. Barbara Donnellan, Committee Chair; Mr. Michael Rolband, Director of the Department of Environmental Quality (DEQ); Ms. Kelly Ward on behalf of Dr. Karen Shelton, State Health Commissioner; and Mr. Cecil "Rhu" Harris, Jr., Board Chairman. Mr. Greg Campbell, Director of the Department of Aviation, was absent. Dr. Charlette Woolridge was also present.

VRA staff participants included: Mr. Shawn B. Crumlsh, Executive Director and Board Secretary; Mr. Joe Bergeron; Mr. Peter D'Alema; Mr. Curtis Doughtie; Ms. Stephanie Jones; Mr. Tony Leone; and Mr. Kevin O'Reilly. Additional attendees were Mr. Arthur Anderson of McGuireWoods LLP; Ms. Karen Doran of DEQ; Ms. Megan Gilliland, General Counsel, of Kaufman & Canoles, P.C.; and Mr. Ty Wellford of Davenport & Company, LLC.

**Call to Order**

Chair Donnellan called the meeting to order at 2:30 p.m.

**Approval of Agenda**

Chair Donnellan asked for a motion to approve the agenda as presented. Director Rolband made a motion and Ms. Ward seconded. The motion carried.

**VPFP Series 2023B Fall Pool Pricing Results**

Chair Donnellan called on Mr. D'Alema, Director of Program Management, for a presentation. Mr. D'Alema described the bond sale results and the local government participants.

**VPFP Portfolio Update (Post VPFP 2023B)**

Mr. D'Alema continued the presentation with information on the VPFP portfolio, including the amount of Commonwealth Moral Obligation backed debt currently outstanding.

Board Chairman Harris asked if the refunding applications will come back in the spring since the interest rate environment was not favorable for fall participation. Mr. D'Alema replied that the fall refunding candidates may be able to participate in the spring. Mr. Wellford added that market interest rates were volatile throughout the fall with steep increases in overall municipal rates (70 to 80 basis points) in the weeks leading up to the pricing of the fall VPFP bonds.

### **Underwriting Criteria**

Mr. D'Alema described the background and details of proposed updates to two existing underwriting criteria. He continued that there are proposed criteria for the new project area of affordable housing and noted that VRA's involvement in the affordable housing market would be focused on local government sponsored projects. After describing the results of staff research and the recommendations for the new affordable housing underwriting criteria, Director Rolband asked whether the Debt Service Coverage Ratio adequate range should be lowered from 1.20x to 1.15x to match water and sewer revenue credit ratio ranges. Discussion ensued and Chair Donnellan said the criteria could include the original 1.20x and that staff can come back to the Board in the future to modify if there are localities interested in funding housing through VRA. Mr. Wellford added that the 1.20x would apply more specifically to projects where the locality is solely funding the debt service from project revenues rather than other sources. Ms. Ward asked if any localities have expressed interest to which Mr. D'Alema responded that a local government helped introduce the legislation that codified the new project area. Mr. Crumlish added that a key feature of VRA's involvement would be that the project has the local government's backing.

Director Rolband made a motion, seconded by Ms. Ward, to recommend approval by the VRA Board of the proposed updates to the Parity Bond Criteria and the Subordinate Debt Criteria and the establishment of the Affordable Housing Criteria as presented. The motion carried.

### **Continuing Disclosure Update**

Mr. D'Alema shared that the required continuing disclosure had been posted on the EMMA [Electronic Municipal Market Access] website. Discussion ensued about the development of EMMA and the Municipalities Continuing Disclosure Cooperation Initiative. The Committee Chair and members commended staff for the good work.

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**Old Business**

Chair Donnellan asked if there was any old business to come before the Committee. There was none.

**New Business**

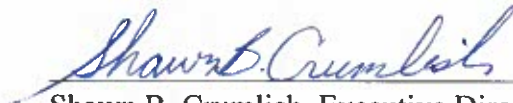
Chair Donnellan asked if there was any new business to come before the Committee. There was none.

**Public Comment**


Chair Donnellan asked if there were any comments from the public. There were none.

**Adjournment**

Upon an affirmative vote on a motion by Director Rolband, seconded by Ms. Ward, Chair Donnellan adjourned the meeting at 3:21 p.m.

  
Shawn B. Crumlish, Executive Director  
Board Secretary

APPROVED:

  
Barbara M. Donnellan, Committee Chair

**Virginia Resources Authority  
Board Meeting  
Minutes of the Regular Meeting  
Held December 12, 2023**

The Board of Directors of the Virginia Resources Authority (VRA) met on Tuesday, December 12, 2023, in the O'Brien Boardroom, Bank of America Building, 19<sup>th</sup> Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Board members were present and acting during the meeting: Mr. Cecil "Rhu" Harris, Jr., Chairman; Ms. Mary Bunting; Mr. Greg Campbell, Director of the Department of Aviation; Ms. Barbara Donnellan; Mr. Bill Kittrell; State Treasurer David Richardson; Mr. Michael Rolband, Director of the Department of Environmental Quality (DEQ); Ms. Kelly Ward on behalf of Dr. Karen Shelton, State Health Commissioner; and Ms. Maria Tedesco. Mr. David Branscome and Dr. Charlette Woolridge were absent.

VRA staff participants included: Mr. Shawn B. Crumlish, Executive Director and Board Secretary; Mr. Joe Bergeron; Mr. Peter D'Alema; Mr. Curtis Doughtie; Mr. George Gordon; Ms. Stephanie Jones; Mr. Spencer Murray; and Ms. Nola Zhang. Additional attendees were Secretary of Finance Steve Cummings; Ms. Karen Doran of DEQ; Ms. Megan Gilliland, General Counsel, of Kaufman & Canoles, P.C.; Mr. David Gustin of McGuireWoods LLP; Deputy Secretary of Finance John Markowitz; and Mr. Ty Wellford of Davenport & Company, LLC.

**Call to Order**

Chairman Harris called the meeting to order at 9:02 a.m.

**Approval of Agenda**

Chairman Harris asked for a motion to approve the agenda as presented. Ms. Donnellan made a motion, seconded by Ms. Bunting, to approve the agenda as presented. The motion carried.

The Chairman welcomed the Secretary and Deputy Secretary of Finance and asked if they would like to make remarks. The Secretary shared remarks regarding the MEI Project Approval Commission approving a significant economic development project in northern Virginia. He also informed the Board that the Secretary's Office has issued a Request for Information (RFI) from all parties interested in providing water to the Department of General Services' facilities located in Nottoway County. The Secretary continued that it was very important to the Administration that there be a fair and open process. Once the RFI process concludes, he said he expects the project will come back to VRA for financing. The Secretary

also shared the Governor's priorities for the budget, including modernizing the tax structure. Ms. Donnellan shared her experience in negotiating the Capitals deal in Arlington and the Secretary expressed appreciation for her comments.

### **Approval of Meeting Minutes**

Chairman Harris asked if there was a motion to approve the following meeting minutes in a block:

- Budget and Investment Committee Meeting held September 11, 2023
- Audit Committee Meeting held September 11, 2023
- Portfolio Risk Management Committee Meeting held September 11, 2023
- Board of Directors Meeting held September 12, 2023

Ms. Donnellan made the motion to which Mr. Kittrell seconded. The motion to approve the minutes in a block carried.

### **Proposed 2024 Meeting Dates**

The Chairman directed the Board's attention to the proposed meeting dates for the 2024 calendar year. He asked if there were any questions or concerns to which there were none.

### **Report of the Executive Director**

Chairman Harris called on Mr. Crumlish to give the Executive Director's Report. Mr. Crumlish introduced new team member Ms. Nola Zhang to the Board, noting her professional and educational background. He continued his Report by highlighting the Eastern Shore Wastewater Initiative project. Board members inquired about various details of the project and Mr. Crumlish explained. Mr. Kittrell said that this was a fantastic project and noted that it will support the Eastern Shore's aquaculture industry. In a similar regional context, the Secretary asked if they can refer the RFI respondents to VRA because all localities have access to VRA. Mr. Crumlish said they can refer them to himself or Mr. D'Alema to discuss what is and is not possible from a financing perspective. Director Rolband asked if the project received a grant to which Mr. Crumlish called on Mr. Kittrell for his knowledge of the project. Mr. Kittrell said the region received a \$40 million appropriation for the Rails to Trails project on the Eastern Shore.

Mr. Crumlish reminded Board members that the annual conflict of interest disclosure will be due February 1 and that a reminder will come from Mr. Doughtie, Director of Administration and Finance. He informed the Board that a Tableau map of the Commonwealth is now available on VRA's website where the public can see all financing activity. Mr. Crumlish said VRA will

likely cross the \$12 billion financing mark within 6 months. The Deputy Secretary asked if VRA would do a press release once crossing the \$12 billion mark. Ms. Donnellan commended staff for the map on the website and harkened back to when she encouraged the development of the 2020 map of historical funding activity. She said her vision for that map was for it to serve as a communication tool to showcase VRA's support to localities Commonwealth-wide and that this digital iteration was version 2.0. Mr. Crumlish added that the Tableau map was important to him as well for transparency to all stakeholders.

Mr. Crumlish mentioned the new Environmental Protection Agency standard for removing lead pipes from drinking water infrastructure. He said the state is currently in the inventory process of identifying the presence of lead pipes in the drinking water systems. Director Rolband noted that the State Water Commission will be addressing many of these infrastructure funding topics at their upcoming meeting.

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

Chairman Harris called on Committee Chair Donnellan for the PRMC Report. Committee Chair Donnellan turned the meeting over to Mr. D'Alema, Director of Program Management, for a presentation. Mr. D'Alema discussed the fall pool transaction results and an update on the portfolio. He reviewed proposed changes to the underwriting criteria for Parity Bonds and Subordinate Debt. Then Mr. D'Alema described the research that staff underwent to determine how local governments participate in the affordable housing space as this was a newly assigned project area for VRA. He described the underwriting criteria recommendations including that there will be a requirement for a county, city or town to provide their Moral Obligation to a project. Mr. D'Alema said that this is because VRA is not in a position to take on the elevated project risk associated with housing initiatives, the revenues from which can be subject to changing market dynamics over time. The Secretary asked if the locality will offer 100% of the Moral Obligation backing or if it will be shared, to which Mr. D'Alema replied that the VRA debt service associated with the project would be 100% backed by the locality. The Deputy Secretary asked if the VRA financing will be for affordable housing or all housing. Mr. D'Alema said that it seems like local governments are interested in participating in specifically affordable housing development such as the "Missing Middle" but said it could run the gamut. Mr. D'Alema concluded his presentation by informing the Board that the required continuing disclosure related to VRA's programs with public bonds outstanding has been posted to the Electronic Municipal Market Access (EMMA) site managed by the Municipal Securities Rulemaking Board.

Committee Chair Donnellan asked for a motion. Director Rolband made a motion to approve the proposed updates to the Parity Bond Criteria and the Subordinate Debt Criteria and

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the establishment of the Affordable Housing Criteria as presented. Ms. Ward seconded. The motion carried.

**Old Business**

Chairman Harris asked if there was any old business to come before the Board. There was none.

**New Business**

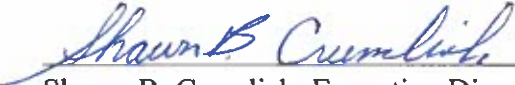
Chairman Harris asked if there was any new business to come before the Board. There was none.

**Public Comment**


Chairman Harris asked if there were any comments from the public. There were none.

**Adjournment**

Ms. Donnellan made a motion, seconded by Ms. Bunting, to adjourn the meeting. The motion carried and Chairman Harris adjourned the meeting at 10:00 a.m. Chairman Harris added his appreciation for the staff.

  
Shawn B. Crumlish, Executive Director  
Board Secretary

APPROVED:

  
Cecil R. Harris, Jr., Chairman of the Board

### Guiding Principles

Provided the Local Government is not in default on its existing VRA obligations, the Local Government may issue bonds, notes or other evidences of indebtedness (Parity Bonds) secured by a pledge of its system's revenues ranking on parity with the Local Government's existing Virginia Resources Authority (VRA) obligations to:

- (1) Pay project costs to complete the project;
- (2) Pay for improvements to the system deemed by the Local Government to be necessary, useful or convenient to the system;
- (3) Refund some or all of the VRA obligations (with the consent of VRA), or other parity indebtedness or subordinate indebtedness;<sup>1</sup> or
- (4) Effect any combination of the above, provided the conditions for issuing Parity Bonds are satisfied.

Please note that the conditions outlined below are summaries of the parity indebtedness provisions contained in VRA's financing and loan agreements and any Local Government considering issuance of VRA obligations containing such parity indebtedness provisions should thoroughly review such provisions.

### Conditions for the Issuance of Parity Bonds

Except to the extent otherwise consented and agreed to in writing by VRA, before any Parity Bonds are issued or delivered, the Local Government shall deliver to VRA the following:

- (1) Certified copies of all resolutions and ordinances of the Local Government authorizing the issuance of the Parity Bonds;
- (2) A certificate of an appropriate official of the Local Government setting forth the purposes for which the Parity Bonds are to be issued and the manner in which the Local Government will apply the proceeds from the issuance of such Parity Bonds;
- (3) If Parity Bonds are for new money purposes or any purpose other than a refunding, a certificate in form satisfactory and acceptable to VRA of a local engineer, independent consulting engineer or independent third party consultant, acceptable to VRA, to the effect that in the opinion of such consultant:
  - i. The improvements or property to be financed by the Parity Bonds (the Project) will be a part of the system;
  - ii. The funds from the Parity Bonds, together with other specified sources as applicable, will be sufficient to pay the estimated cost of the Project;
  - iii. The period of time required to complete the Project; and
  - iv. The Parity Bonds are necessary to complete the Project and the failure to construct the Project will result in an interruption or reduction of revenues – OR

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<sup>1</sup> Please note all requests regarding the issuance of subordinate indebtedness must be approved by the VRA Board.



– during the first two complete fiscal years following the completion of the Project, the projected Net Revenues Available for Debt Service<sup>2</sup> will satisfy the rate covenant contained in the financing or loan agreement, taking into consideration future rate increases provided that such rate increases have been duly approved by the governing body/person/entity required to give such approval – OR – for any two of the three prior fiscal years the Local Government generated Net Revenues Available for Debt Service that satisfy the rate covenant, taking into account the issuance of the Parity Bonds.

(4) If Parity Bonds are issued to refund VRA obligations (with the consent of VRA) or any other parity indebtedness, subordinate indebtedness or prior bonds, either:

- i. A certificate in form satisfactory and acceptable to VRA of an independent certified public accountant, acceptable to VRA, that the refunding Parity Bonds will have lower annual debt service requirements in each of the years the obligations to be refunded would have been outstanding; OR
- ii. A certificate in form satisfactory and acceptable to VRA of a local engineer, independent consulting engineer or independent third party consultant, acceptable to VRA, to the effect that in the opinion of such consultant during the first two complete fiscal years following the issuance of the refunding Parity Bonds, the projected Net Revenues Available for Debt Service will satisfy the rate covenant.

Note: The Local Government is required to obtain VRA consent for the issuance of Parity Bonds or any other indebtedness if used to refinance existing VRA obligations.

(5) At the discretion of VRA based on the advice of its counsel, Opinion of counsel satisfactory to the Authority:

- i. Approving the form of the resolution authorizing the issuance of Parity Bonds and stating that its terms and provisions conform with the financing or loan agreement;
- ii. Stating that the certificates and documents delivered to VRA constitute compliance with the conditions for issuance of Parity Bonds; and
- iii. Stating that the issuance of Parity Bonds will not adversely impact the tax exempt status of any of the Local Government's other VRA obligations issued as tax-exempt obligations.

To the extent that Parity Bonds are issued by a Local Government that **does** not have sufficient Net Revenues Available for Debt Service based on rates and charges of the system and such Local Government receives additional moral obligation support pursuant to a Support Agreement or direct

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<sup>2</sup> Net Revenues Available for Debt Service is typically defined in VRA financing and loan agreements as the Revenues less amounts necessary to pay Operation and Maintenance Expenses. The Local Government should review its existing financing or loan agreements for any variances in the defined term.

general obligation support, the above criteria may be waived and VRA's consideration of approval of the requested Parity Bonds would be based on the ~~c~~Credit ~~e~~Evaluation ~~C~~criteria below:

Credit Evaluation Criteria: The requested borrowing shall be considered and reviewed in the context of its impact on the Local Government's future budgets, tax rates and debt ratios with respect to VRA's Tax Supported Evaluation Guidelines including but not limited to:

- Debt Service versus Expenditures;
- Debt Payout Ratio;
- Undesignated Fund Balance versus Total Revenues; ~~and~~
- Total Debt versus Total Valuation; and
- State-Aid Coverage Ratio-

# SUBORDINATE DEBT GUIDELINES CRITERIA

## VIRGINIA RESOURCES AUTHORITY

~~Final Approved as of 3.10.09~~ [Updated as of December 12, 2023]



In conjunction with the financing of local projects utilizing a revenue pledge, Virginia Resources Authority ("VRA") finances projects on parity with the senior debt obligations of the borrower except under conditions approved by the VRA Board of Directors.

For these purposes, the obligations of the borrower are determined to be any obligations which are paid from the revenue stream pledged including senior-lien debt, subordinate-lien debt, parity obligations, revenue-backed debt supplemented by a general obligation pledge (double-barrel), notes and other such debt of any type.

Subsequent to review by the Portfolio Risk Management Committee, the VRA Board of Directors may take the following factors into account when considering approval of a subordinate-lien pledge as loan security:

- A. Reasonable justification for VRA accepting a subordinate pledge;
- B. Current ratings on the borrower's long-term senior and/or subordinate-lien revenue debt, if applicable;
- C. Existing debt profile;
- D. Adherence to borrower's established financial policies, if applicable;
- E. Historic and projected debt service coverage;
- F. Historic and projected growth in system users and related revenues;
- G. Additional security enhancements or collateral, including but not limited to a moral obligation pledge or other security enhancement;
- H. Demonstration by the borrower that its lowest level of state aid budgeted in the current fiscal year or received in each of the previous three fiscal years has been not less than 200% of the maximum annual future debt service of the borrower including any general obligation debt or other debt of the borrower subject to any state aid intercept provisions and taking into account issuance of the proposed debt and any other debt planned by the borrower during the next succeeding five year period;
- I. Other terms and conditions as VRA shall deem necessary, with the understanding that subordinate-lien debt of the borrower will not necessarily entitle the borrower to the same terms and conditions that would otherwise apply to senior-lien obligations.

~~In conjunction with the financing of local projects utilizing a revenue pledge, it shall be the policy of the Virginia Resources Authority ("VRA") to finance projects on parity with the senior debt obligations of the borrower except under circumstances explicitly approved by the VRA Board of Directors.~~

~~For these purposes the obligations of the borrower shall be broadly construed as any obligations which are paid from the revenue stream pledged including senior debt, subordinate debt, parity obligations, double barreled general obligations, notes and other such debt of any type.~~

~~The VRA Board of Directors may take the following circumstances into account when considering accepting a subordinate lien:~~

- ~~1. There is confirmed affordability impacts based on established statewide criteria with a prospective borrower; or~~

**SUBORDINATE DEBT  
GUIDELINES CRITERIA**

**VIRGINIA RESOURCES AUTHORITY**

**~~Final Approved as of 3.10.09~~ [Updated as of December 12, 2023]**

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~~2. Where contractual limitations on the ability of the borrower to raise rates are determined to exist.~~

~~Notwithstanding such determination, the VRA Board of Directors may consider the following:~~

- ~~A. The borrower covenants that it shall not issue any additional debt without the prior written consent of VRA; and~~
- ~~B. The borrower shall be subject to the state aid intercept provisions of VRA's statutes and shall demonstrate that its lowest level of state aid budgeted in the current fiscal year or received in the previous three fiscal years has been not less than 200% of the maximum annual future debt service of the borrower including any general obligation debt or other debt of the borrower subject to any state aid intercept provisions and taking into account issuance of the proposed debt and any other debt planned by the borrower during the next succeeding five year period; and~~
- ~~C. The borrower shall agree to such terms as VRA shall deem necessary, it being understood that subordinate debt of the borrower that conforms with this policy will not necessarily entitle the borrower to the same terms that would apply to senior obligations.~~

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Credit Structure:	Affordable and workforce housing related financings whereby a Virginia local government acts in a sponsorship or developer role and supports the repayment of debt service via locality budget appropriations, a pledge of project-related revenues, or some combination thereof. Project-related revenues may be derived from rentals, fees and charges to tenants, developers, or homeowners under mortgage, rental, or other real estate-based contracts. Financings may also be secured by a pledge of real estate collateral.	
Eligible Borrowers:	Local governments as defined in the VRA Act § 62.1-199 of the Code of Virginia.	
Moral Obligation Support:	A county, city, or town must provide a moral obligation pledge to support the related debt service payments for the proposed borrowing. Such moral obligation pledge may be through one or more separate support agreements or through support agreement language in the related financing document. The local government(s) providing the moral obligation support must also demonstrate that their lowest level of state aid budgeted in the current fiscal year or received in each of the previous three fiscal years has been not less than 200% of the maximum annual future debt service including any general obligation debt or other debt subject to any state aid intercept provisions and taking into account issuance of the proposed financing and any other debt planned by the local government during the next succeeding five fiscal year period.	
Feasibility Report:	For start-up affordable housing programs managed by a local government, a feasibility report of a qualified independent consultant acceptable to VRA is required for borrowings in excess of \$25 million.	
Project Revenue-Backed Loans:	For loans where project revenues are pledged, a local government must demonstrate the establishment of comprehensive affordable housing program underwriting criteria to assess credit risk of borrowers / developers.	
	Affordable housing program debt service coverage ratio ranges (net revenues available for debt service divided by applicable debt service):	
	Strong	Greater than 1.5x
	Adequate	Between 1.20x to 1.49x
	Poor	Less than 1.20x
	Affordable housing program assets to debt ratio ranges (assessed value of affordable housing program assets divided by housing program debt outstanding):	
	Strong	Greater than 1.10x
	Adequate	1.00x to 1.09x
	Poor	Less than 1.00x

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Non-Revenue Backed Loans:	For loans where project revenues are not pledged, a local government will be assessed based on VRA's existing Tax-Supported Debt Evaluation Criteria, Lease Transaction Criteria, or Appropriation-Only Backed Special Fund Revenue Criteria, as applicable. Where real estate is pledged as collateral for a financing, VRA may require more stringent collateral valuation targets than are referenced in VRA's Lease Transaction Criteria.
Rating Requirement:	Where the participation of an unrated local government borrower in a VRA program has the potential to adversely impact the existing public debt rating of a VRA loan program, VRA reserves the right to require that a local government borrower obtain a rating from Moody's and/or Standard & Poor's as a condition of loan approval. VRA may require that a certain rating level be achieved by the borrower as a condition of loan approval if such borrower rating is required to maintain the existing VRA program public debt ratings.
Borrower Concentration:	Where the total existing or proposed debt exposure to any one local government borrower rises to a level where the locality becomes a Material Obligor, as defined in the appropriate VRA program documentation, or such other lesser amount that could impact the existing public debt ratings of a VRA loan program, the Executive Director shall seek PRMC and Board approval prior to authorization of any new debt exposure.