

VIRGINIA RESOURCES AUTHORITY
BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on December 13, 2011, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

BOARD MEMBERS PRESENT:

William G. O'Brien, Chair
David Branscome
Clifford Burnette on behalf of Randall P. Burdette
Barbara McCarthy Donnellan
Thomas L. Hasty, III
J. Wesley Kleene, Ph.D., PE on behalf of Karen Remley, M.D., M.B.A.
Dena Frith Moore
James H. Spencer, III, Vice Chair
Richard F. Weeks on behalf of David Paylor
Evie Whitley on behalf of Manju Ganeriwala

ABSENT:

J. Barry Purcell, III

STAFF:

Stephanie L. Hamlett, Executive Director
Jean Bass, Director of Policy & Intergovernmental Relations
Peter D'Alema, Director of Program Management
Michael Cooper, Director of Administration
Jon McCubbin, Controller
Bradley Jones, Program Manager
Emmanuel Oyaghiro, Senior Financial Analyst
Stephanie Bush, Fiscal Analyst/Compliance Officer

OTHERS:

Arthur Anderson, McGuire Woods, Bond Counsel
Suzanne Long, McGuire Woods, Bond Counsel
Renee Train, McGuire Woods, Bond Counsel
James Traudt, Davenport & Company LLC
Ty Wellford, Davenport & Company LLC
Walter Gills, Department of Environmental Quality
Patrick Dickson, Wells Fargo

Mr. William G. O'Brien, Chair, called the meeting to order at 9:00 a.m.

Call to Order

There were no additions or deletions to the agenda.

**Approval of
Agenda**

Ms. Moore moved, and Mr. Hasty seconded, approval of the agenda.

The motion was approved unanimously.

Mr. O'Brien called for approval of the following minutes: Portfolio Risk Management Committee, September 12, 2011, Audit Committee, September 12, 2011, and Board of Directors, September 13, 2011.

**Approval of
Minutes**

There were no corrections or amendments to the minutes.

Mr. Hasty moved, and Mr. Kleene seconded, approval of the minutes for the Portfolio Risk Management Committee, September 12, 2011, Audit Committee, September 12, 2011, and Board of Directors, September 13, 2011.

The motion was approved unanimously.

Ms. Stephanie L. Hamlett, Executive Director, highlighted her report beginning with the Governor's Government Reform and Restructuring Commission. She and the State Treasurer testified before a finance subgroup of the Commission. The testimony related to the potential merger of bond issuing agencies in the Commonwealth. They emphasized to the subgroup that each bond issuing agency had a unique purpose recognized by the rating agencies and that each operated efficiently. The full Commission accepted the subgroup's recommendation not to make any changes to the bond issuing agencies at this time. The Commission, she said, will continue its work in the coming year. Ms. Hamlett does not know whether this issue will be re-considered.

**Executive
Director's Report**

Ms. Hamlett stated that she has provided in the Executive Director's Report a list of the areas in which VRA has been providing outreach and visits. The report also provided information on other activities and programs of the Authority.

Ms. Hamlett concluded her report stating that a Memorandum of Agreement is in place between VRA, the Secretary of Finance, and the Commonwealth Transportation Board for the management of the Virginia Transportation Infrastructure Bank (VTIB). She noted that even as the Board meeting is taking place, VRA staff is meeting with VDOT on the first VTIB application.

Asked if the demands of VTIB posed any staffing concerns for VRA, Ms. Hamlett stated that it has not adversely affected VRA. However, she said, as the program moves forward VRA will re-evaluate its effects on staff.

Mr. Peter D'Alema, Director of Program Management, provided an overview of the Virginia Pooled Financing Program (VPFP) Series 2011B Bond Transaction. He stated that VRA successfully sold \$225.98 million in VPFP bonds on November 2, 2011 on behalf of 17 local governments. There were a total of 22 loans with three (3) borrowers having two (2) loans each and one (1) borrower having three (3) loans. There were eight (8) new borrowers with six (6) having investment grade ratings. The transaction covered both tax-exempt and taxable bonds. The bulk of the loans were refundings. The True Interest Cost (TIC) on the transaction was 3.70% with the All-In TIC being 3.94%. Mr. D'Alema continued that four (4) of the borrowers comprised 75% of the total transaction and have very good ratings. He highlighted the refunding borrowers and shared a borrower summary chart.

Mr. D'Alema concluded stating that it was a team effort bringing the bond transaction to fruition and he thanked Davenport & Company, McGuire Woods and VRA staff.

Mr. James Traudt of Davenport & Company LLC stated that the bond transaction was a team effort and he thanked Mr. Ty Wellford of Davenport & Company LLC for his assistance. He further recognized Morgan Keegan as the senior manager for the tax-exempt bonds and Citi for the taxable bonds. Mr. Traudt stated that all of the taxable bonds were sold. The tax-exempt bonds were underwritten at a volume higher than the team would have liked. However, all were underwritten due to excellent market conditions and the end result was excellent for all of the borrowers.

Mr. Traudt referenced a memorandum previously sent to the Board that included more detailed information pertaining to the bond transaction.

The Board thanked Mr. Traudt for his efforts and the positive results of the bond transaction.

Portfolio Risk Management Committee

Committee Reports

Ms. Dena Frith Moore, Chair of the Portfolio Risk Management Committee (PRMC), stated that the PRMC met on Monday, December 12, 2011 and discussed the following:

- Virginia Pooled Financing Program Series 2011B Transaction Summary: This item was discussed previously as part of the Board presentation.
- Direct Purchase Program (Short-Term Financing Program):
The PRMC, Ms. Moore said, spent the majority of its meeting discussing this program which is a short-term financing program designed to allow participants the opportunity to borrow for short-term until the participant's loan can advance to a pooled financing issuance. Ms. Moore noted that the PRMC approved a motion to recommend adoption by the full VRA Board of the Short-Term Financing Program resolution providing that maturities on notes in the program do not exceed 12 months to allow VRA staff the ability to review the most recent financial performance of borrowers prior to authorizing a short-term loan maturity extension or takeout in a Virginia Pooled Financing Program (VPFP).

Ms. Moore asked Mr. Peter D'Alema, Director of Program Management, to provide an update. Mr. D'Alema stated that VRA was considering a Commercial Paper Program. However, it was determined that the Direct Purchase Program would be significantly less costly for VRA borrowers. In addition, the Direct Purchase Program can be discontinued after the first year if borrower demand is weak. He further explained that Wells Fargo will provide up to a \$100 million credit facility commitment. However, VRA would begin with a \$25 million credit with the option to go to \$50 million based upon borrower interest. This amount is stipulated in the recommended resolution approving the program.

Mr. D'Alema provided a summary of the fees and costs associated with the program, stating that VRA notes will be issued at interest rates based on LIBOR AND SIFMA. Mr. D'Alema shared program risks and value proposition for local government borrowers. He concluded with a review of the application and approval process for the program.

In response Board inquiry, Mr. D'Alema explained costs to the borrower relating to a loan. He stated that there is no penalty to the borrower if the loan is paid off early. To regulate costs, he said that borrowers would be encouraged to size the loans for what they really need. VRA, he said, is

trying to make the program as cost-effective as possible so that it will be successful and have some longevity.

Mr. Patrick Dickson of Wells Fargo added that there is a certain amount of capital costs incurred by the administrator of a Direct Purchase Program. They include a set aside reserve in case a loan goes into default, increasing regulatory costs, and backing of credit such as a standby purchase agreement or letters of credit guaranteed by banks. Ms. Renee Fain of McGuire Woods read to the Board revised notes to the resolution that were directed by the Portfolio Risk Management Committee.

Mr. D'Alema said that VRA's total risk should the program not move forward would be cost incurred to date. However, he stated that additional costs will apply if the program is established and VRA has an initial loan. He further explained that the minimum size of a loan is \$1 million.

Ms. Moore moved, and Ms. Donnellan seconded, approval of the resolution authorizing the issuance of up to \$50,000,000 in Short-Term Revenue Notes (Interim Financing Program) as revised to incorporate the language recommended by the Portfolio Risk Management Committee, and that the Resolution be made a part of the minutes.

The motion was approved unanimously.

The resolution is attached hereto and made a part herein.

Ms. Moore thanked Ms. Renee Fain of McGuire Woods and Mr. Patrick Dickson of Wells Fargo.

In continuing the report of the PRMC, the following areas were highlighted:

- Loan Monitoring & Compliance Update: Ms. Stephanie Bush gave a presentation on the Authority's Loan Monitoring program showing the database live. Ms. Moore stated that the Board package includes a handout outlining borrower rankings. Based on the FY2010 loan monitoring and compliance database: 52% of the portfolio is classified as 'green'; 34% is classified as 'yellow'; 10% is classified as 'red', down from 14% 'red' portfolio borrowers from the prior year; and yellow is up slightly.
- Virginia Airports Revolving Fund: Peter D'Alema, Director of Program Management, provided an update on the direct loan

activity in the Virginia Airports Revolving Fund since the September board meeting. Two loans totaling \$1.9 million closed in November and December.

- Unrestricted Net Assets Guidelines: Ms. Moore deferred to the Budget Committee for a report noting that the presentations were the same.

Personnel Committee

Mr. Thomas L. Hasty, III, Chair of the Personnel Committee, stated that the Committee met on Monday, December 12, 2011. The Committee discussed several provisions to the Personnel Manual that were previously provided to the Board in October 2011 with an update in December 2011. These provisions addressed office hours, meal periods, supplemental employment and work attire. Mr. Hasty said an additional section is proposed addressing the Executive Director's Separation of Employment. He also expanded on revisions related to Paid Time Off (PTO) noting that the added provisions provide management with greater flexibility in the hiring process by allowing employees coming from Virginia Retirement System based employment to VRA to use accumulated years of service in determining paid time off. Mr. Hasty stated that the Personnel Committee recommends the approval of the provisions to the Board.

Mr. Hasty moved, and Ms. Moore seconded, approval of certain provisions to the Personnel Manual, as outlined by staff.

The motion was approved unanimously.

Budget Committee

Ms. Barbara McCarthy Donnellan, Chair of the Budget Committee, stated that the Committee met prior to the Board meeting. The Committee discussed the Unrestricted Net Assets Guidelines.

The Committee will continue discussions on the Guidelines and will bring a recommendation to the Board for consideration and approval in April 2012. She stated that the guidelines will provide additional financial stability to VRA and its programs. She added that there are three components to the Guidelines. The first is General Reserve which will provide working capital in unexpected circumstances. The second is the Portfolio Risk Management Reserve which will maintain a balance of 1.5% of its debt service. The third is the Technology and Efficiency Reserve and it will be used for upgrading, expanding and replacing VRA's technology resources. She stated that the Guidelines will be updated annually.

Ms. Donnellan concluded stating that the Guidelines are a good measure for getting financial reserves in order so that rating agencies can review VRA favorably. Also, she noted, reserves are needed when the financial climate is not favorable and risks are being taken.

No action was taken.

There was no old business.

Old Business

Mr. O'Brien provided the Board with the 2012 Board of Directors Proposed Meeting Dates as follows:

New Business

- April 9 & 10, 2012,
- July 9 & 10, 2012,
- September 17 & 18, 2012, and
- December 10 & 11, 2012.

There being no corrections or amendments, the meeting dates stand as submitted.

Mr. James H. Spencer, III, Vice Chair, stated that invitations are forthcoming from Tazewell County, along with six (6) other counties, to a reception at the Omni Hotel on January 26, 2012, at 6 p.m. In previous years, the Executive Director and staff of VRA have given presentations to the counties and towns. He extended an invitation to present on January 26. He stated that it will be a good outreach gesture for VRA.

There was no public comment.

Public Comment

Mr. Hasty moved, and Mr. Spencer seconded, adjournment.

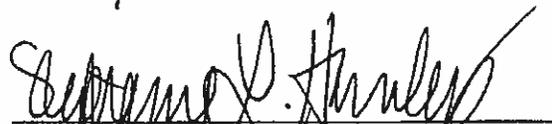
Adjournment

The motion was approved unanimously, and the meeting adjourned at 10:05 a.m.

The next meeting of the Board is April 10, 2012.



William G. O'Brien, Chair



Stephanie Hamlett, Secretary

VIRGINIA RESOURCES AUTHORITY

- RESOLUTION -

**AUTHORIZING THE ISSUANCE OF UP TO
\$50,000,000 IN SHORT-TERM REVENUE NOTES
(INTERIM FINANCING PROGRAM)**

December 13, 2011

WHEREAS, the Virginia Resources Authority (the "Authority") 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 the Authority was created for the purpose of encouraging the investment of both public and private funds and making loans, grants and credit enhancements available to local governments ("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 (each a "Project" and, as a group, the "Projects"); and

WHEREAS, the Act authorizes and empowers the Authority, among other things, to borrow money and issue its bonds and notes to provide funds to carry out the Authority's purposes and powers and to pay all costs and expenses incurred in connection with the issuance of such bonds or notes; and

WHEREAS, to further the purposes of the Act, the Board of Directors of the Authority (the "Board") has determined to authorize the Authority to issue notes from time to time under an Interim Financing Program (the "Program") for the purpose of purchasing and acquiring local obligations ("Local Obligations") to provide interim financing and refinancing for the cost of any Project, and for such other purposes as may be authorized under and pursuant to the Act; and

WHEREAS, under the Program the Authority will issue Short-Term Revenue Notes (the "Notes") and use the proceeds thereof primarily to finance the acquisition of Local Obligations, with each Note to be secured primarily by (i) revenues derived from its corresponding Local Obligation, and (ii) a "capital reserve fund" with "moral obligation" support within the meaning of Section 62.1-215 of the Act; and

WHEREAS, to further the purposes of the Act and the Program, the Authority has determined to issue one or more Notes in an aggregate principal amount outstanding at any time not to exceed \$50,000,000 to commence immediately and terminate on the date which will be thirty (30) days prior to November 15, 2013 (as such date may be extended from time to time, the "Final Issuance Date"); and

WHEREAS, the Authority will use the proceeds of the Notes (i) to finance the acquisition of Local Obligations issued or incurred by Local Governments to provide interim financing and refinancing for qualified Projects, (ii) to refund any Notes previously issued and

outstanding under the Indenture; (iii) to provide for any funding of a capital reserve fund and other funds necessary or desirable to provide credit support for each Note, and (iv) to finance capitalized interest, the costs of issuance and/or the local reserve fund related to each Note; and

WHEREAS, debt service payments on each Note are expected to be made from revenues derived from its corresponding Local Obligation and the investment earnings on certain funds and accounts established for each Note under the Program Documents, as defined below; and

WHEREAS, the foregoing arrangements will be reflected in the following documents, forms of which have been previously presented to this Board or presented to this meeting: (i) an Indenture of Trust between the Authority and a bond trustee to be determined (the "Indenture"), (ii) a Note Purchase Agreement between the Authority and Wells Fargo Bank, National Association, as purchaser of the Notes (the "Bank") (the "Note Purchase Agreement") and (iii) a model Local Note Sale and Financing Agreement to be used in the acquisition of Local Obligations (the "Local Agreement") (collectively, the "Program Documents"); and

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

1. **Authorization of the Notes.** There is hereby authorized the issuance at one time or from time to time of one or more revenue Notes of the Authority to be known as the Virginia Resources Authority Short-Term Revenue Notes (Interim Financing Program). Each Note shall bear an appropriate series designation and any Notes may, for purposes of the Program and federal tax law, be issued under two or more sub-designations. The Notes shall be in substantially the form attached as an exhibit to the Indenture. The Authority shall use the proceeds of the issuance and sale of each Note as described in the Recitals above and in accordance with the Indenture and the Local Agreement related thereto. It is hereby found and determined that the debt service payments on each Note 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 Code of Virginia of 1950, as amended.

2. **Details of the Notes.** The Authority's Chairman and Executive Director are authorized to determine and approve the final details of each Note, including without limitation, their series designations, dated date, original aggregate principal amount, interest rates, redemption provisions, taxability status and sale prices; provided, however, that (i) the aggregate principal amount of all the Notes outstanding at any time shall not exceed \$50,000,000, (ii) unless an exception is granted by the Board, each Note shall have an initial maturity date not later than 12 months after such Note's date of issuance which date can be extended through a "rollover" provision with the approval of the Authority in accordance with the Program Documents, and (iii) the final maturity of any Note shall be no later than three years after the date of the first Note issuance or such later date as approved by the Authority (as such date may be extended from time to time, the "Program Maturity Date"). The Notes shall bear interest as set forth in the Indenture. The approval of the Chairman and Executive Director of such details with respect to any Note shall be evidenced conclusively by the execution and delivery thereof on the Authority's behalf.

3. **Approval of Indenture and Note Purchase Agreement.** Each Note shall be issued pursuant to the Indenture in substantially the same form as the Indenture presented to this meeting, which is hereby approved. Each Note to be issued pursuant to the Indenture shall be purchased by the Bank pursuant to and subject to the terms of the Note Purchase Agreement in substantially the same form as the Note Purchase Agreement presented to this meeting, the form of which is hereby approved. The Authority expects the Indenture and Note Purchase Agreement to be initially executed for Notes for an aggregate principal amount not to exceed \$25,000,000, which may be increased without further approval by the Board based upon demand and other factors, for Notes in an aggregate principal amount not to exceed \$50,000,000.

4. **Preparation, Execution, Authentication and Delivery of Notes and Program Documents.** The Executive Director is authorized and directed to have each Note prepared in substantially the form attached to the Indenture submitted to this meeting, to have such Notes executed pursuant to the terms of the Indenture, to deliver such Notes to the Trustee for authentication, and to cause such Notes so executed and authenticated to be delivered to or for the account of the Bank or other purchasers thereof upon payment of the purchase price thereof as provided in the Indenture and the Note Purchase Agreement. With respect to each Note and Program Document authorized under this Resolution, the Chairman and Executive Director are authorized to execute and deliver on the Authority's behalf, and, if required, to affix and attest the Authority's seal on such Note and Program Documents in substantially the forms submitted to this meeting, with such changes, insertions or omissions as may be approved by the Chairman and Executive Director. Such approval shall be evidenced conclusively by the execution and delivery of each Note and Program Document on the Authority's behalf.

5. **Credit Enhancement.** The Executive Director is authorized to procure bond insurance for all or any portion of any Note or a surety bond, liquidity facility or similar instrument to provide for the funding of all or any portion of any capital reserve fund or any other reserve fund or account established pursuant to the Indenture, if the Executive Director determines such procurement to be in the best interests of the Authority and with the consent of the Bank.

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

7. **Approval of Local Obligation Documents.** The model Local Agreement is hereby approved for use in providing for the purchase or acquisition of Local Obligations related to the Notes in substantially the same form as the Local Agreement presented to this meeting; provided, however, that the provisions therein may be altered to accommodate terms agreed to by the Authority and the various participating Local Governments. Changes, insertions or omissions to the Local Agreements and the model Local Agreement may be approved by the

Chairman or Executive Director, such approval evidenced conclusively by the execution and delivery of each Local Agreement on the Authority's behalf.

8. **Tax Matters.** The Executive Director is authorized and directed to (i) conduct public hearings in connection with the issuance of any Note, if required under the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations (the "Tax Code"), (ii) seek the approval of the Governor of the issuance of any Note, if required under the Tax Code, and (iii) execute and deliver on the Authority's behalf simultaneously with the issuance of each Note a Tax Regulatory Agreement or supplement to 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 Note and include such covenants as may be necessary to qualify the interest on all or any portion of each Note for exemption from gross income for federal income tax purposes under the Tax Code and to maintain such exemption. The Executive Director is further authorized to make on behalf of the Authority such elections under the Tax Code with respect to any Note as she may deem to be in the best interests of the Authority after consultation with the Authority's Bond Counsel and Financial Advisor.

9. **Investment of Proceeds.** Notwithstanding anything to the contrary contained in the Authority's Investment Policy, the investment of all monies deposited in any of the funds or accounts established by the Indenture will be governed by the sections of the Indenture 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 Notes.

10. **Authorization of Further Actions.** Each officer of the Authority is authorized to execute and deliver on the Authority'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 by this Resolution or contemplated by the Program Documents. Any of the foregoing previously done or performed by any officer of the Authority is in all respects approved, ratified and confirmed.

11. **Effective Date; Termination.** This Resolution shall take effect immediately. The authority to issue Notes pursuant to this Resolution shall terminate on the Program Maturity Date.

VIRGINIA RESOURCES AUTHORITY
PERSONNEL COMMITTEE
MINUTES OF THE REGULAR MEETING

The Personnel Committee of the Virginia Resources Authority met on December 12, 2011, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Thomas L. Hasty, III, Chair
David Branscome
Dena Frith Moore

COMMITTEE MEMBERS ABSENT:

Barbara McCarthy Donnellan
Richard Weeks on behalf of David Paylor
William G. O'Brien, Ex Officio

STAFF: Bass

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Michael Cooper, Director of Administration
Peter D'Alema, Director of Program Management

OTHERS:

NONE.

Mr. Thomas L. Hasty, III, Chair of the Personnel Committee, called the meeting to order at 3:45 p.m. **Call to Order**

There were no additions or corrections to the proposed agenda. **Approval of Agenda**

Ms. Moore moved, and Mr. Branscome seconded, approval of the agenda.

The motion was approved unanimously.

Mr. Michael Cooper, Director of Administration, provided background information pertaining to proposed changes to the Personnel Manual. **Background for Proposed Changes to Personnel Manual**

Mr. Cooper stated that although the Manual was updated in 2010; however, there has been a change in leadership and the new Executive Director wanted to bring the Authority's policies and procedures more in line with other executive branch agencies. As a result of the organizational changes, there are some terms used that do not apply to

the current organizational structure. In addition, there are some inconsistencies throughout the Manual that are not uncommon but basically overlooked due to additions or modifications and need to be addressed. He explained further that there were policies that were somewhat inconsistent with State policy. Therefore, staff must make sure that, overall, inconsistencies are addressed and deviation from State policy is well thought out.

Mr. Cooper began discussion of revisions to the Personnel Manual by addressing office hours, meal periods, a general policy statement pertaining to supplemental employment, and work attire.

**Review and Approval
of Changes to
Personnel Policy**

He noted that a new section was added pertaining to involuntary separation of employment as it relates to the Executive Director. This section will provide clear direction to the Board in determining severance benefits. Also, it places the Executive Director in line with any other Governor appointed agency head.

The Executive Director expounded on the proposed addition to the Personnel Manual pertaining to the Executive Director explaining how the provision relates to the State and compares to other State agencies.

There was concern expressed by the Committee about the provision restricting the Board of Directors in its decisions. After discussion, a suggestion was made that perhaps a general policy statement be placed in the Manual, other than under the Executive Director, stating that no provision prevents members of the Personnel Committee or VRA Board from exercising its independence when necessary.

In addition, Ms. Hamlett referenced page 2 of the Manual under *Adoption of Personnel Policies*, which states that: "*VRA is not required to follow or enforce all Virginia policies, but has chosen to reference a number of them herein for purposes of maintaining consistency with certain Commonwealth of Virginia practices and procedures.*"

Mr. Cooper concluded his comments stating that a provision is recommended for inclusion in the Manual that will allow employees coming from VRS-based employment to VRA to use accumulated years of service in determining paid time off.

As a result of extensive discussion, Mr. Cooper stated that such a policy incentivizes new employees to VRA. Ms. Hamlett suggested that under *Number 6A. BENEFITS. Paid Time Off* that the phrase "*At the discretion of the Executive Director,*" be added before the sentence beginning "*PTO benefits are based on....*"

Mr. Cooper stated if the Board approves the suggested changes, he will correct PTO status, retroactively, for the three employees currently affected by the policy. He re-emphasized that this action is consistent with State regulations.

Ms. Moore moved, and Mr. Branscome seconded, that the Personnel Committee recommend to the Full Board approval of the Personnel Policy Manual based on the above suggested changes.

The motion was approved unanimously.

There was no old business.

Old Business

There was no new business

New Business

There was no public comment.

Public Comment

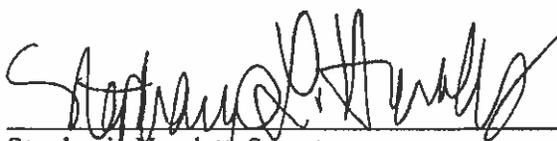
There being no further business, the meeting adjourned at 4:15 p.m.

Adjournment

The next meeting of the Committee is to be determined.



Thomas L. Hasty, III, Chair



Stephanie Hamlett, Secretary

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

The Portfolio Risk Management Committee of the Virginia Resources Authority met on December 12, 2011, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Dena Frith Moore, Chair
David Branscome
Manju Ganeriwala
Thomas L. Hasty, III
William G. O'Brien, Ex Officio

STAFF:

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Jon McCubbin, Controller
Michael Cooper, Director of Administration
Peter D'Alema, Director of Program Management
Shawn Crumlish, Program Manager
Bradley Jones, Program Manager
Stephanie Bush, Financial Analyst/Compliance Officer

OTHERS:

Suzanne Long, McGuire Woods, Bond Counsel
Renee Fain, McGuire Woods, Bond Counsel
James Traudt, Davenport & Company LLC
Ty Wellford, Davenport & Company LLC

Ms. Dena Frith Moore, Chair, called the meeting to order at 1:11 p.m.

Call to Order

There were no additions or corrections to the proposed agenda.

Approval of Agenda

Mr. O'Brien moved, and Mr. Hasty seconded, approval of the agenda.

The motion was approved unanimously.

Mr. Peter D'Alema, Director of Program Management, provided an overview of the 2011B Virginia Pooled Finance Program (VPFP) transaction. VRA sold \$225.98 million in VPFP bonds on November 2, 2011. The True Interest Cost (TIC) was 3.70% and the All-In-TIC was 3.94%. The bonds were sold on behalf of 17 local governments,

**2011B VPFP
Transaction
Summary**

including taxable and tax-exempt bonds, and representing seven (7) of VRA's 18 authorized project areas.

Mr. D'Alema highlighted eight (8) new borrowers. In addition, he stated that four (4) borrowers comprised 75% of the total par amount. Four (4) prior VRA bond issues and seven (7) prior non-VRA debt obligations were refunded for net present value cash flow savings.

Mr. D'Alema concluded the presentation by reviewing the 2011B Virginia Pooled Finance Program Borrower Summary as of November 16, 2011.

Mr. Peter D'Alema, Director of Program Management, provided an update of the Wells Fargo Direct Purchase Program. He noted that one of the previous concerns of the program related to borrower-level versus program-level events of default and their treatment in the program documents. These concerns have been addressed by separating Note Events of Default from General Events of Default in the program documents.

**Direct Purchase
Program Update**

Mr. D'Alema continued with an overview of the Wells Fargo Direct Purchase Program benefits. He noted that the Program is significantly less costly for VRA borrowers than a commercial paper program, and the program can be discontinued after the first year if borrower demand is weak.

Mr. D'Alema provided a summary of the short-term financing program fees and costs, stating that notes will be issued at interest rates based on LIBOR of SIFMA. He explained the risks associated with the program, and added that the program underwriting will adhere to existing VRA underwriting guidelines adopted by the Portfolio Risk Management Committee and VRA Board of Directors. He shared the methods by which VRA will secure local obligations, and marketing efforts that will focus on investment grade local government borrowers with strong liquidity.

Mr. D'Alema stated that the Direct Purchase Program provides bridge financing for local government borrowers to subsequent Virginia Pooled Financing Program (VPFP) issuance, short-term financing for the Water Quality Improvement Fund projects, and interim funding for borrowers waiting to close on Clean Water Revolving Loan Fund leveraged or direct loans. VRA will determine how long the locality will remain in the short-term financing program, having the ability to take-out short-term notes in the Virginia Pooled Financing Program if needed.

There was extensive discussion relative to costs of issuance, initial loan terms for notes in the short-term financing program, and the risks for VRA.

Mr. D'Alema stated that the application and approval process for the program will be approximately 45 to 60 days. He shared highlights of the application and approval process.

Mr. D'Alema concluded by requesting a motion from the PRMC to the VRA Board to support a resolution authorizing the issuance of up to \$50 million in short-term revenue notes with the understanding that VRA will enter an initial agreement with Wells Fargo for a \$25 million credit facility. He explained that staff is asking for up to \$50 million to provide leeway in the event program demand is higher than the \$25 million credit facility thereby allowing staff to move forward without further approval from the Board. He stated that a revised resolution has been provided in which a sentence has been added to paragraph 3 on page 3 to reflect the request for up to \$50 million.

Discussion transpired relative to the maturity date of the short-term loans, and it was suggested that the initial loan term correspond to a pool date. After further discussion it was further recommended that the notes for localities have an initial maturity date no later than 12 months after the date of issuance of the note. If additional time is needed before the locality moves to a pool financing, it was suggested that the date be extended through a "rollover" provision in the resolution which will require approval by VRA.

The proposed resolution will be revised to include suggestions relative to the maturity date of notes for localities.

Ms. Ganeriwala moved, and Mr. Branscome seconded, that the PRMC recommend to the Full Board the approval of a resolution for an interim financing program based on a revised resolution to be provided at the Board meeting on, Tuesday, December 13, 2011.

The motion was approved unanimously.

Ms. Stephanie Bush, Financial Analyst/Compliance Officer, provided the FY2010 Loan Monitoring and Compliance Database update. She began by distinguishing between satisfactory and unsatisfactory reviews. She stated that future reports will focus solely on unsatisfactory financial reviews as opposed to missing documents.

**Loan Monitoring &
Compliance Update**

Ms. Bush continued stating that the FY2010 Loan Monitoring & Compliance Database is completed. She shared the procedure for determining risk assessment categories and weighting, as well as the portfolio analysis which included the Clean Water Revolving Loan Fund Program, Drinking Water Revolving Loan Fund Program, Virginia Airport Revolving Fund Program, the Virginia Pooled Financing Program, and the Stand Alone and Pooled Loan Bond Program.

Ms. Ganeriwala asked that a column be added for “outstanding loan amounts, which would reflect the total loan amount outstanding by each borrower in that program. Ms. Bush explained the data input methodology, noting that the database has been made to be more user-friendly by tightened formulas, and that the risk assessment categories are the same as previous years. Based on the FY2010 Loan Monitoring and Compliance Database, she explained that 52% of the portfolio is classified as “green”, 34% is classified as ‘yellow’, 10% is classified as ‘red’, down from 14% ‘red’ Portfolio borrowers from the prior year, and 4% needed data. Ms. Bush showed the actual database and shared that seven (7) of VRA’s top 57 borrowers are classified as ‘red’. These 7 borrowers, she explained, comprised 58% of the ‘red’ dollar amount outstanding.

There was discussion relative to the liquidity and debt service standards. Ms. Bush asked the Board if liquidity standards should be changed in future years. The Board felt the standards were sufficient as is. Ms. Bush also explained that borrowers with different debt service coverage requirements were all held to the same high standard. Ms. Moore said that is not a bad thing and did not necessitate manually inputting different rate covenants. Based on the dialogue, risk category standards will remain the same for the FY11 database.

Ms. Bush concluded by stating that data is constantly changing. However, the FY2010 database is a guide to understanding VRA’s portfolio; the FY2010 database will be used to prioritize the FY2011 reviews; and the FY2011 database will be used to prioritize FY2011 reviews, and so on.

Ms. Ganeriwala complimented staff on the presentation noting that the visual is very good.

Mr. Peter D’Alema, Director of Program Management, provided an update on the direct loan activity in the Virginia Airports Revolving Fund since the September board meeting. He explained that two loans totaling \$1.9 million closed in November and December.

**Virginia Airport
Revolving Fund
Update**

Mr. Peter D'Alema, Director of Program Management, provided a draft set of guidelines related to reserves that would be earmarked for VRA's general operating expenses, portfolio risk mitigation, and technology expenses. In addition, he shared the benefits of the guidelines to include the ability to provide for unexpected expenditures and to maintain strong credit ratings.

**Unrestricted Net
Assets Guidelines
Discussion**

Members of the Board complimented staff noting that the proposed guidelines represent good fiscal management.

In response to Mr. D'Alema, the Executive Director suggested that a joint meeting of the PRMC and Budget Committee be held to determine whether the information provided should be referred to as guidelines or policies.

It was concluded that the PRMC will weigh the suggestions made by staff, and consider making a recommendation at the April 2012 Board meeting.

There was no old business.

Old Business

There was no new business.

New Business

There was no public comment.

Public Comment

Mr. O'Brien left the meeting prior to the motion to adjourn.

Adjournment

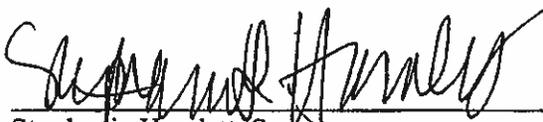
Mr. Hasty moved, and Mr. Branscome seconded, adjournment of the meeting.

The motion was approved and the meeting adjourned at 3:38 p.m.

The next meeting of the Committee will be April 9, 2012.



Dena Frith Moore, Chair



Stephanie Hamlett, Secretary

ATTACHMENT F

VIRGINIA RESOURCES AUTHORITY

- RESOLUTION -

**AUTHORIZING THE ISSUANCE OF UP TO
\$50,000,000 IN SHORT-TERM REVENUE NOTES
(INTERIM FINANCING PROGRAM)**

December 13, 2011

WHEREAS, the Virginia Resources Authority (the "Authority") 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 the Authority was created for the purpose of encouraging the investment of both public and private funds and making loans, grants and credit enhancements available to local governments ("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 (each a "Project" and, as a group, the "Projects"); and

WHEREAS, the Act authorizes and empowers the Authority, among other things, to borrow money and issue its bonds and notes to provide funds to carry out the Authority's purposes and powers and to pay all costs and expenses incurred in connection with the issuance of such bonds or notes; and

WHEREAS, to further the purposes of the Act, the Board of Directors of the Authority (the "Board") has determined to authorize the Authority to issue notes from time to time under an Interim Financing Program (the "Program") for the purpose of purchasing and acquiring local obligations ("Local Obligations") to provide interim financing and refinancing for the cost of any Project, and for such other purposes as may be authorized under and pursuant to the Act; and

WHEREAS, under the Program the Authority will issue Short-Term Revenue Notes (the "Notes") and use the proceeds thereof primarily to finance the acquisition of Local Obligations, with each Note to be secured primarily by (i) revenues derived from its corresponding Local Obligation, and (ii) a "capital reserve fund" with "moral obligation" support within the meaning of Section 62.1-215 of the Act; and

WHEREAS, to further the purposes of the Act and the Program, the Authority has determined to issue one or more Notes in an aggregate principal amount outstanding at any time not to exceed \$50,000,000 to commence immediately and terminate on the date which will be thirty (30) days prior to November 15, 2013 (as such date may be extended from time to time, the "Final Issuance Date"); and

WHEREAS, the Authority will use the proceeds of the Notes (i) to finance the acquisition of Local Obligations issued or incurred by Local Governments to provide interim financing and refinancing for qualified Projects, (ii) to refund any Notes previously issued and

outstanding under the Indenture; (iii) to provide for any funding of a capital reserve fund and other funds necessary or desirable to provide credit support for each Note, and (iv) to finance capitalized interest, the costs of issuance and/or the local reserve fund related to each Note; and

WHEREAS, debt service payments on each Note are expected to be made from revenues derived from its corresponding Local Obligation and the investment earnings on certain funds and accounts established for each Note under the Program Documents, as defined below; and

WHEREAS, the foregoing arrangements will be reflected in the following documents, forms of which have been previously presented to this Board or presented to this meeting: (i) an Indenture of Trust between the Authority and a bond trustee to be determined (the "Indenture"), (ii) a Note Purchase Agreement between the Authority and Wells Fargo Bank, National Association, as purchaser of the Notes (the "Bank") (the "Note Purchase Agreement") and (iii) a model Local Note Sale and Financing Agreement to be used in the acquisition of Local Obligations (the "Local Agreement") (collectively, the "Program Documents"); and

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

1. **Authorization of the Notes.** There is hereby authorized the issuance at one time or from time to time of one or more revenue Notes of the Authority to be known as the Virginia Resources Authority Short-Term Revenue Notes (Interim Financing Program). Each Note shall bear an appropriate series designation and any Notes may, for purposes of the Program and federal tax law, be issued under two or more sub-designations. The Notes shall be in substantially the form attached as an exhibit to the Indenture. The Authority shall use the proceeds of the issuance and sale of each Note as described in the Recitals above and in accordance with the Indenture and the Local Agreement related thereto. It is hereby found and determined that the debt service payments on each Note 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 Code of Virginia of 1950, as amended.

2. **Details of the Notes.** The Authority's Chairman and Executive Director are authorized to determine and approve the final details of each Note, including without limitation, their series designations, dated date, original aggregate principal amount, interest rates, maturity dates, redemption provisions, taxability status and sale prices; provided, however, that (i) the aggregate principal amount of all the Notes outstanding at any time shall not exceed \$50,000,000 and (ii) the final maturity of any Note shall be no later than three years after the date of the first Note issuance or such later date as approved by the Authority (as such date may be extended from time to time, the "Program Maturity Date"). The Notes shall bear interest as set forth in the Indenture. The approval of the Chairman and Executive Director of such details with respect to any Note shall be evidenced conclusively by the execution and delivery thereof on the Authority's behalf.

3. **Approval of Indenture and Note Purchase Agreement.** Each Note shall be issued pursuant to the Indenture in substantially the same form as the Indenture presented to this meeting, which is hereby approved. Each Note to be issued pursuant to the

Indenture shall be purchased by the Bank pursuant to and subject to the terms of the Note Purchase Agreement in substantially the same form as the Note Purchase Agreement presented to this meeting, the form of which is hereby approved.

4. **Preparation, Execution, Authentication and Delivery of Notes and Program Documents.** The Executive Director is authorized and directed to have each Note prepared in substantially the form attached to the Indenture submitted to this meeting, to have such Notes executed pursuant to the terms of the Indenture, to deliver such Notes to the Trustee for authentication, and to cause such Notes so executed and authenticated to be delivered to or for the account of the Bank or other purchasers thereof upon payment of the purchase price thereof as provided in the Indenture and the Note Purchase Agreement. With respect to each Note and Program Document authorized under this Resolution, the Chairman and Executive Director are authorized to execute and deliver on the Authority's behalf, and, if required, to affix and attest the Authority's seal on such Note and Program Documents in substantially the forms submitted to this meeting, with such changes, insertions or omissions as may be approved by the Chairman and Executive Director. Such approval shall be evidenced conclusively by the execution and delivery of each Note and Program Document on the Authority's behalf.

5. **Credit Enhancement.** The Executive Director is authorized to procure bond insurance for all or any portion of any Note or a surety bond, liquidity facility or similar instrument to provide for the funding of all or any portion of any capital reserve fund or any other reserve fund or account established pursuant to the Indenture, if the Executive Director determines such procurement to be in the best interests of the Authority and with the consent of the Bank.

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

7. **Approval of Local Obligation Documents.** The model Local Agreement is hereby approved for use in providing for the purchase or acquisition of Local Obligations related to the Notes in substantially the same form as the Local Agreement presented to this meeting; provided, however, that the provisions therein may be altered to accommodate terms agreed to by the Authority and the various participating Local Governments. Changes, insertions or omissions to the Local Agreements and the model Local Agreement may be approved by the Chairman or Executive Director, such approval evidenced conclusively by the execution and delivery of each Local Agreement on the Authority's behalf.

8. **Tax Matters.** The Executive Director is authorized and directed to (i) conduct public hearings in connection with the issuance of any Note, if required under the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations (the "Tax Code"), (ii) seek the approval of the Governor of the issuance of any Note, if required under the Tax Code, and (iii) execute and deliver on the Authority's behalf simultaneously with the

issuance of each Note a Tax Regulatory Agreement or supplement to 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 Note and include such covenants as may be necessary to qualify the interest on all or any portion of each Note for exemption from gross income for federal income tax purposes under the Tax Code and to maintain such exemption. The Executive Director is further authorized to make on behalf of the Authority such elections under the Tax Code with respect to any Note as she may deem to be in the best interests of the Authority after consultation with the Authority's Bond Counsel and Financial Advisor.

9. **Investment of Proceeds.** Notwithstanding anything to the contrary contained in the Authority's Investment Policy, the investment of all monies deposited in any of the funds or accounts established by the Indenture will be governed by the sections of the Indenture 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 Notes.

10. **Authorization of Further Actions.** Each officer of the Authority is authorized to execute and deliver on the Authority'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 by this Resolution or contemplated by the Program Documents. Any of the foregoing previously done or performed by any officer of the Authority is in all respects approved, ratified and confirmed.

11. **Effective Date; Termination.** This Resolution shall take effect immediately. The authority to issue Notes pursuant to this Resolution shall terminate on the Program Maturity Date.

VIRGINIA RESOURCES AUTHORITY
BUDGET COMMITTEE
MINUTES OF THE REGULAR MEETING

The Budget Committee of the Virginia Resources Authority met on December 13, 2011, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Barbara McCarthy Donnellan, Chair
Thomas L. Hasty, III
Dena Frith Moore
Richard F. Weeks
Evie Whitley for Manju Ganeriwala
William G. O'Brien, Ex Officio

COMMITTEE MEMBERS ABSENT:

J. Barry Purcell

OTHER BOARD MEMBERS PRESENT:

David Branscome (Arrived at 8:30 a.m. for Board Meeting)

STAFF:

Stephanie L. Hamlett, Executive Director
Jean Bass, Director of Policy & Intergovernmental Relations
Jon McCubbin, Controller

OTHERS:

Ty Wellford, Davenport & Company LLC

Mrs. Barbara McCarthy Donnellan, Chair of the Budget Committee, called the meeting to order at 8:00 a.m.

Call to Order

There were no additions or corrections to the proposed agenda.

Approval of Agenda

Therefore, the agenda stands approved.

Mr. Jon McCubbin, Controller, provided background information explaining the rationale for the proposed Unrestricted Net Assets Guidelines. He noted that best practice standards are encouraged by the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB). A critical element of these standards, he said, is the adoption of financial guidelines.

**Unrestricted Net
Assets Guidelines
Discussion**

Mr. McCubbin continued stating that adoption of these guidelines will help with planning for contingencies, ensure cash availability for potential borrower payment defaults, maintain good standing with the rating agencies, avoid interest expense from borrowing for operating budget needs, and ensure cash availability when revenue is unavailable.

He stated that the Unrestricted Net Asset Reserves of the VRA is intended for difficult economic times, stabilizing cash flow requirements, and emergency appropriations by the Board of Directors. It will have three components. The first is the General Reserve intended to help VRA cover operating expenses in unexpected circumstances when revenue is unavailable. The second component is the Portfolio Risk Management Reserve and provides additional protection against a draw on a Capital Reserve Fund. The third component is the Technology and Efficiency Reserve which will be used for one-time expenditures related to upgrading, expanding, and replacing VRA's technology resources.

Mr. McCubbin explained how balances would be maintained in each of the funds along with the methodology for restoring the reserves should it be necessary to draw funds to cover expenses. He shared a slide depicting a breakdown of sample reserve requirements.

Mr. McCubbin concluded by stating that at the end of each fiscal year, all general fund revenues in excess of the budget will first go into the Unrestricted Net Asset Reserves until the maximum balance for cash reserve in the current fiscal year is met.

There was extensive discussion relative to the requirement for maintaining balances in each of the reserves and the interchangeable use of the words "policy and guidelines" in discussing Unrestricted Net Assets Reserves. The Committee concluded that the term "guidelines" will provide VRA's Board more flexibility in maintaining the proposed reserves.

It was the consensus of the Committee that the staff move forward with finalizing the Unrestricted Net Assets Guidelines for consideration of approval by the Committee at its meeting in April.

Mr. McCubbin informed the Committee that the FY2013 budget will be approved in April as there will be no meeting in June and approval must be made prior to July 2012.

There was no old business.

Old Business

There was no new business

New Business

There was no public comment.

Public Comment

Ms. Moore moved, and Mr. Hasty seconded, adjournment of the meeting.

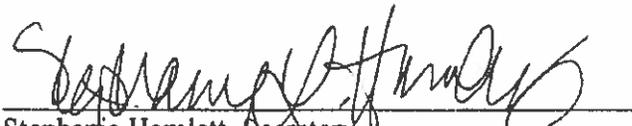
Adjournment

The motion was approved, and the meeting adjourned at 8:32 a.m.

The next meeting of the Committee will be held on April 9, 2012.



Barbara McCarthy Donnellan, Chair



Stephanie Hamlett, Secretary