

MINUTES
JAMES CITY SERVICE AUTHORITY BOARD OF DIRECTORS
REGULAR MEETING
County Government Center Board Room
101 Mounts Bay Road, Williamsburg, VA 23185
August 13, 2019
5:00 PM

A. CALL TO ORDER

B. ROLL CALL

Michael J. Hipple, Powhatan District
Ruth M. Larson, Vice Chairman, Berkeley District-Absent
John J. McGlennon, Roberts District
James O. Icenhour, Jr., Jamestown District
P. Sue Sadler, Chairman, Stonehouse District

Scott A. Stevens, Secretary to the Board
Adam R. Kinsman, County Attorney
M. Douglas Powell, General Manager

ADOPTED

SEP 24 2019

Board of Directors
James City County, VA

C. PRESENTATIONS

None

D. PUBLIC COMMENT

None

E. CONSENT CALENDAR

A motion to Approve was made by Michael Hipple, the motion result was Passed.

AYES: 4 NAYS: 0 ABSTAIN: 0 ABSENT: 1

Ayes: Hipple, Icenhour Jr, McGlennon, Sadler

Absent: Larson

1. Minutes Adoption - July 23, 2019

F. PUBLIC HEARING(S)

None

G. BOARD CONSIDERATION(S)

1. Financial Policy and Investment Policy Updates

A motion to Approve was made by Michael Hipple, the motion result was Passed.

AYES: 4 NAYS: 0 ABSTAIN: 0 ABSENT: 1

Ayes: Hipple, Icenhour Jr, McGlennon, Sadler

Absent: Larson

Mr. Powell stated the Board approved revisions to these policies in 2016 and currently staff recommended various changes to both policies. He further stated he would review the proposed changes to the financial policy and Mr. Nelson Bush, Managing Director, PFM

Asset Management, LLC, would review the proposed changes to the investment policy. He remarked these policies had been reviewed by James City Service Authority's (JCSA's) Financial Advisor, Davenport & Company, LLC, as well as the County's Financial and Management Services staff. Mr. Powell gave an overview of the financial policies noted in the memorandum and resolution included in the Agenda Packet. He gave a brief summary of the financial policy proposed changes. He noted the policy proposed to establish a target balance for the Repair and Replacement Reserve Fund in the amount equal to the appreciation expense. He further noted that amount was under \$8 million this year and was based on the audited figure each year. He remarked "We are nowhere near that at this point in time because we just established this fund two or three years ago, but our ultimate goal is to fund it in an amount equal to our annual depreciation expense." He further remarked the policy also proposed to gradually expand the JCSA efforts to reduce its reliance on facility charges. Mr. Powell commented "Under this policy, facility charges would be excluded from the calculation to determine the net revenue available for debt services, so this is a more conservative way of calculating that factor." He further commented "It also establishes a goal of funding the Capital Improvements Program with at least 20% operating revenues, again reducing reliance on facility charges." He concluded this segment of the proposed policy by stating "It also requires that a financial feasibility study would be done with any long-term borrowing, require a five-year financial forecast as part of the budget, and require an annual review of the policies."

Mr. Bush gave an overview of the investment policies included in the Agenda Packet. He stated there were two types of modifications being proposed to the investment policy and summarized that one was a reorganization of the language in an attempt to enable the reader of the investment policy to more succinctly identify policies that were adopted and dealt with the mitigation of risks in the portfolio. He noted there were various risks and in order to condense the information many changes were moved around within the policy and commented that was the vast majority of the changes in the policy. He further commented the minority of the changes in the policy dealt with the percentages of the individual securities that could be purchased in the current investment portfolio. He stated there were a couple of increases where the investment advisor felt the yield in the portfolio could be enhanced with minor tweaks, increasing corporate notes in the portfolio from 25% to 30% of the portfolio. He further stated "We would maintain the limitation of no more than 5% of the portfolio, in reality the way we invest your portfolio we typically do not go beyond 1.5%." Mr. Bush remarked that increasing the level of corporate notes in the portfolio was capping the overall level of credit in the total portfolio. He further remarked that credit in the portfolio could be corporate notes, negotiable certificates of deposits, commercial paper, and bankers' acceptances. He stated "Under the current policy, the policy would permit up to 75% of the portfolio to be in credit instruments; we are proposing a cap of 40%. For a portfolio like yours we would tend to never want to exceed that amount in credit and so we ratcheted up the amount we could use in corporate notes and ratcheted down the amount of overall credit that we could use in the portfolio." He noted there was also a request to increase amounts of certain types of federal agency security in the portfolio. He further noted "We introduced this type of security into your portfolio probably seven or eight years ago. Based on the current interest rate environment and the issuance of federal agency securities in the market place, the United States Congress has been forcing the primary issuers of these federal agency securities, Fannie Mae and Freddie Mac, to shrink the size of their balance sheets so their securities are harder and harder to find." Mr. Bush commented "There are certain types of mortgage bank securities that they issue which we can still find in the marketplace, so we are asking for an increase in the portfolio of the federal agency mortgage-backed securities that would be permitted." He further commented these were securities that continued to be guaranteed by those federal agencies, which are called mortgage-backed securities simply because the principal is returned on a quarterly basis, as people repay their mortgages. He stated that if people did not pay their mortgages on time or did not pay their mortgages at all, the issuers guarantee those types of securities. He further stated "There is a lot more fine detail, but those are the major and the minor points of the modifications that we would request in the investment

policy.”

Mr. Powell inquired if there were any questions for Mr. Bush or himself.

The Board had no questions.

2. **Contract Award - Trenchless Sanitary Sewer Pipeline Rehabilitation Services**

A motion to Approve was made by Michael Hipple, the motion result was Passed.

AYES: 4 NAYS: 0 ABSTAIN: 0 ABSENT: 1

Ayes: Hipple, Icenhour Jr, McGlennon, Sadler

Absent: Larson

Mr. Powell gave an overview of the memorandum and resolution included in the Agenda Packet.

Ms. Sadler inquired why both Prism Contractors & Engineers, Inc. and Tri-State Utilities were needed.

Mr. Powell replied for occasional multiple projects or perhaps one company being busier than the other. He noted this would allow more flexibility.

H. BOARD REQUESTS AND DIRECTIVES

None

I. GENERAL MANAGER'S UPDATE

Mr. Powell expressed his thanks to the Board for its attendance at the annual Safety and Recognition event and recognized Mr. Matthew Prince as the JCSA Employee of the Year.

J. ADJOURNMENT

1. **Adjourn until 4 p.m., on September 24, 2019, for the Regular Meeting**

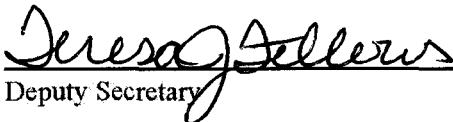
A motion to Adjourn was made by Michael Hipple, the motion result was Passed.

AYES: 4 NAYS: 0 ABSTAIN: 0 ABSENT: 1

Ayes: Hipple, Icenhour Jr, McGlennon, Sadler

Absent: Larson

At approximately 6:20 p.m., Ms. Sadler adjourned the Board of Directors.


Deputy Secretary