

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE REGULAR MEETING OF SEPTEMBER 11, 2002

Pursuant to the call of the Chairman and notice duly given, the regular meeting of the Commissioners of the Virginia Housing Development Authority was held on September 11, 2002, at the Hotel Roanoke and Conference Center, 110 Shenandoah Avenue, Roanoke, Virginia.

COMMISSIONERS PRESENT:

Charles L. Krum, Jr., Vice Chairman*
Gary C. Klein*
H. Evans Thomas, V*
Jody M. Wagner*
Allen H. Jones*
Joan D. Gifford*
William C. Shelton**

COMMISSIONERS ABSENT:

Sam Kornblau, Chairman*
J. Cheryl J. Avery-Hargrove*
Jay Fisette*

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Robert E. Washington, Managing Director of Finance and Administration
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Managing Director of Public Policy
Ronald A. Reger, Managing Director of Information Services
Tammy N. Taylor, Managing Director of Human Resources
Russ E. Wyatt, General Auditor
J. Judson McKellar, Jr., General Counsel
Conrad K. Sterrett, Bonds and Investments Director
John F. Hastings, Assistant Director of Multi-Family Development
Brenda K. Goodman, Strategic Development Leader
Michele G. Watson, Assistant Director of Single Family

*Authorized to vote

**Non-voting

James M. Chandler, Senior Development Officer
Kathleen A. O'Rourke, Media Affairs Manager
The Honorable Terrie L. Suit, Member of the Virginia House of Delegates

The regular meeting of the Board of Commissioners was called to order at approximately 12:35 p.m. All of the Commissioners listed above as being present at the meeting were present at that time and remained present throughout the meeting.

No members of the public requested an opportunity to make any comments during the public comment period of the meeting.

Commissioner Thomas moved approval of the minutes of the Committee of the Whole meeting and the annual meeting of the Commissioners held on July 23 and 24, 2002. This motion was seconded by Commissioner Jones and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote.

Ms. Dewey presented her reports on mortgage loans commitments issued under the Authority's homeownership loan programs. Upon the conclusion of these reports, Commissioner Jones moved approval of the resolutions entitled "Resolution - Approval of Mortgage Loan Commitments to Individuals Purchasers of Single Family Dwelling Units" and two resolutions entitled "Resolution- Ratification of Home Rehabilitation Loan Commitments," all dated September 11, 2002 in the forms attached hereto. This motion was seconded by Commissioner Wagner and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote, except Commissioners Klein, Gifford and Thomas who abstained and disqualified themselves from participating in those transactions.

Ms. Dewey next reported on the monthly financials and budget comparisons.

Mr. McKellar presented a report and resolutions relating to the proposed change to hold bi-monthly meetings of the Commissioners. Following a discussion by the Commissioners, Commissioner Wagner moved approval of the resolutions entitled "Resolution -Amendment of Bylaws," "Resolution Establishing Regular Meeting Dates of the Board of Commissioners through July 31, 2003," "Resolution Amending the Rules and Regulations for Multi-Family Housing Developments," "Resolution Amending the Rules and Regulations for Single Family Mortgage Loans to Persons and Families of Low and Moderate Income," "Resolution Amending the Rules and Regulations for Home Rehabilitation Loans," "Resolution Adopting Procedures for Authorization of Executive Director to Approve Mortgage Loans and to Authorize the Issuance of Multi-Family Mortgage Loan Commitments," and "Resolution Adopting Policies and Procedures for Employment of Consultants," all dated September 11, 2002, in the forms attached hereto. This motion was seconded by Commissioner Gifford and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote.

Commissioner Klein, on behalf of the Operations Committee, reported that the Committee had received and discussed reports from the General Auditor on the internal audit schedule, internal audit strategies and approach, and internal audit reports issued and replies received since the last meeting of the Committee. Commissioner Klein next reported that the Committee had received salient features memoranda for the Authority's proposed Commonwealth Mortgage Bonds, Pass-Through Certificates, 2002 Series E and F (Taxable), VHDA General Purpose Bonds, 2002 Series A-Taxable, B-AMT, C and D, and Rental Housing Bonds, 2002 Series E-Taxable, F-AMT and G. Mr. McKellar then advised the Commissioners as to the terms of a proposed supplemental resolution authorizing the issuance of VHDA General Purpose Bonds. He reviewed the provisions which (i) authorized the sale and delivery of VHDA General Purpose Bonds in an aggregate amount not to exceed \$400 million to such purchasers or underwriters, at such purchase prices and on such terms and conditions as shall be set forth in or determined pursuant to one or more written determinations by an Authorized Officer of the Authority and in one or more purchase contracts, including notices of sale, in accordance with the supplemental resolution; (ii) provided for the sale of the VHDA General Purpose Bonds not later than May 31, 2003, (iii) established limitations and restrictions with respect to such written determinations; (iv) authorized the execution and delivery of purchase contracts and other necessary or appropriate agreements, instruments, documents and certificates; (v) specified that the portion of the Debt Service Reserve Account Requirement allocable to each series of bonds to be issued pursuant to the supplemental resolution shall be \$0 or such higher amount as may be set forth in or determined pursuant to the applicable written determinations; and (vi) authorized the distribution of one or more preliminary and final official statements in substantially the form presented at the meeting. Commissioner Klein then moved approval of the resolution entitled "Supplemental Resolution Authorizing the Issuance and Sale of VHDA General Purpose Bonds" dated September 11, 2002, in the form attached hereto. This motion was seconded by Commissioner Jones and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote. Following this action, Commissioner Klein informed the Commissioners that the Committee had received a status report from Mr. Washington on the Housing Choice Voucher Program. Commissioner Klein next advised the Commissioners that Ms. Taylor had reported to the Committee on the status of the Authority's benefits and had informed the Committee that the Leadership Team was in the process of selecting the health insurance provider and was expecting that the staff would be absorbing 25% of the projected increase of approximately 20% in health insurance premiums and that during the next three to four months the Leadership Team would be developing a philosophy for providing benefits and managing costs. Commissioner Klein next reported that the Committee had received reports from the Authority staff on the results of the performance management evaluations of the Authority's individual staff associates and had rated the Authority's performance for fiscal year 2002 as proficient. Commissioner Klein further reported that, after discussion and consideration, the Committee recommended that the undisbursed portion of the merit pool be distributed to the Authority's staff associates with a rating of "Exceeds Expectations" or "Exceptional" and that the Authority's staff associates receive, on average, three floating vacation days for fiscal year 2002-2003. Commissioner Klein then moved that the recommendation of the Operations Committee be approved. This motion was

seconded by Commissioner Thomas and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote. Commissioner Klein then informed the Commissioners that Ms. Dewey's performance had been reviewed by the Committee and that the Committee had assigned her performance a rating of "Exceeds Expectations."

Commissioner Jones, on behalf of the Programs Committee, reported as follows: the Committee reviewed proposed amendments to the Authority's Federal Low-Income Housing Tax Credit Qualified Allocation Plan for calendar year 2003 and recommended that the staff proceed with the publication for public comment and with the public hearing on the proposed amendments to the Qualified Allocation Plan, including rules and regulations, in the form presented to the Commissioners; the Committee recommended approval of the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated September 11, 2002, in the form attached hereto; the Committee recommended approval of the resolutions entitled "Resolution Authorizing a Multi-Family Mortgage Loan to Finance Jabez Court I and II," "Resolution Authorizing a Multi-Family Mortgage Loan to Finance Mountain View Townhouses," "Resolution Authorizing Increase in Mortgage Loan for Oak Creek Apartments," "Resolution Authorizing a Multi-Family Mortgage Loan to Finance 6115 Alexander Street," "Resolution Authorizing a Multi-Family Mortgage Loan to Finance Coppermine Place Seniors," "Resolution Authorizing a Multi-Family Mortgage Loan to Finance Crater Square Apartments," "Resolution Authorizing a Multi-Family Mortgage Loan to Finance Germanna Heights," "Resolution Authorizing Increase in Mortgage Loan for Rose Hall Apartments I," "Resolution Authorizing a Multi-Family Mortgage Loan to Finance Walmsley Terrace Apartments," "Resolution Authorizing Increase in Mortgage Loan for Westover Station Apartments," "Resolution Authorizing a Multi-Family Mortgage Loan to Finance Checed Warwick Seniors Apartments," "Resolution Authorizing a Multi-Family Mortgage Loan to Finance The Villages at Aspen Club," "Amended and Restated Resolution Authorizing a Multi-Family Mortgage Loan to Finance Caroline Manor I Apartments," "Amended and Restated Resolution Authorizing a Multi-Family Mortgage Loan to Finance Kilmarnock Village Apartments," "Amended and Restated Resolution Authorizing a Multi-Family Mortgage Loan to Finance Sandston Woods Apartments," "Resolution Authorizing Increase in Mortgage Loan for Crater Woods Apartments, Phase II," "Amended and Restated Resolution Authorizing a Multi-Family Mortgage Loan to Finance Manassas Park Seniors Apartments," and "Resolution Authorizing Increase in Mortgage Loan for Poplar Forest III," all dated September 11, 2002 in the forms attached hereto; and the Committee recommended that funds in the Virginia Housing Fund be allocated in accordance with the memorandum of Mr. Ritenour dated September 9, 2002 in the form distributed to the Commissioners and attached hereto. Commissioner Gifford moved approval of the foregoing resolutions and the recommendations of the Committee. This motion was seconded by Commissioner Thomas and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote. Commissioner Jones then reported that the Committee had received reports from the staff on the following changes in the Authority's single family program: increases in the sales price limits for the single family mortgage loans financed, in whole or in part, with proceeds of tax exempt bonds; increases in the income limits for single family mortgage loans financed, in whole or in part,

with the proceeds of tax exempt bonds and financed under the Flexible Alternative program; and increases in the maximum loan amount for single family mortgage loans financed under the Flexible Alternative program. Commissioner Jones further reported that the Committee had received a report from the staff that the incomes of applicants who are intending to occupy a rental unit as multiple households in a development financed by funds other than proceeds of tax exempt bonds of the Authority would be considered individually in determining compliance of the occupants with the applicable income limit of the Authority, provided that the income of each of the households not exceed 100% of the area median gross income, that the units in any development occupied by such multiple households not exceed 20% of the units in such development and that the owner of such development agree that at least 20% of the units in the development will be occupied by individuals and families whose incomes as of the date of their initial occupancy of such units do not exceed 80% of the area median gross income. Commissioner Jones advised the Commissioners that the Committee had requested the staff to provide a report at each Board meeting on the Authority's single family mortgage loan program.

Ms. Dewey presented her monthly report of operations in which she advised the Commissioners as to the following: proposed legislation had been prepared by the Authority and the Department of Housing and Urban Development for the 2003 Session of the General Assembly that would change the Executive Director of the Authority from a non-voting to a voting member of the Board of Housing and Community Development and that would change the Director of Housing and Community Development from a non-voting to a voting member of the Authority's Board; an article was published on August 5, 2002, in the Metro Business section of The Richmond Times-Dispatch on the effect of higher sales prices on first time home buyers; she had addressed the state Commission on Growth and Economic Development on the effect of proffers on the affordability of single family homes for low and moderate income persons and families; the Affordable Housing Awareness Campaign had its kick-off meeting on August 29, 2002; because of low interest rates, the Authority had been receiving prepayments on its single family mortgage loans in excess of the amount of new single family mortgage loans being financed by the Authority, and the staff would be reporting on the impact of these excess prepayments on the Authority's single family mortgage loan portfolio. Following this report, Commissioner Krum expressed his appreciation for the participation by the Authority's staff in the construction of the Habitat for Humanity house in Abingdon.

There being no further business, the meeting was adjourned at approximately 1:10 p.m.

Sam Kornblau
Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
ON SEPTEMBER 11, 2002

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on September 11, 2002, at the Hotel Roanoke and Conference Center, 110 Shenandoah Avenue, Roanoke, Virginia.

COMMITTEE MEMBERS PRESENT:

Allen H. Jones, Committee Chairman*
H. Evans Thomas, V*
Joan D. Gifford*
William C. Shelton**
Charles L. Krum, Jr., Ex Officio*

COMMITTEE MEMBER ABSENT:

Sam Kornblau, Ex Officio*

OTHER COMMISSIONERS PRESENT:

Gary C. Klein*
Jody M. Wagner*

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Robert E. Washington, Managing Director of Finance and Administration
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Managing Director of Public Policy
Ronald A. Reger, Managing Director of Information Services
Tammy N. Taylor, Managing Director of Human Resources
Russ E. Wyatt, General Auditor
J. Judson McKellar, Jr., General Counsel
Conrad K. Sterrett, Bonds and Investments Director

*Authorized to vote

**Non-voting

John F. Hastings, Assistant Director of Multi-Family Development
Brenda K. Goodman, Strategic Development Leader
Michele G. Watson, Assistant Director of Single Family
Paul M. Brennan, Senior Counsel
Michelle S. Edmonds, Senior Executive Assistant
James M. Chandler, Senior Development Officer
Kathleen A. O'Rourke, Media Affairs Manager
H. Larkin Goshorn, Regency Housing Group
Andrew Friedman, City of Virginia Beach
Greta Harris, Virginia Housing Coalition
Graham Driver, Community Housing Partners Corporation
F. Andrew Heatwole, Ripley Heatwole Company, Inc.
Thomas Griffith, Cumberland Plateau Regional Housing Authority

The meeting of the Committee was called to order at approximately 9:00 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

Commissioner Thomas moved approval of the minutes of the meeting of the Committee held on July 24, 2002. This motion was seconded by Commissioner Gifford and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting and authorized to vote.

Mr. Friedman and Ms. Harris addressed the Committee and requested that the proposed changes to the pools in the Qualified Allocation Plan be delayed until the effect of the change could be further studied.

Mr. Ritenour then advised the members of the Committee as to the schedule for the proposed amendments to the Qualified Allocation Plan, and Mr. Chandler presented a summary of the proposed amendments. Following a discussion by the Committee, Commissioner Thomas moved that the Committee recommend that the staff proceed with the publication for public comment and with the public hearing on the proposed amendments to the Qualified Allocation Plan, including rules and regulations, in the form presented to the Committee. This motion was seconded by Commissioner Krum and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting and authorized to vote. The Committee requested that the staff hold additional meetings with the public if necessary to fully present and discuss the proposed amendments and to obtain public comment. At this point, Commissioners Krum, Klein and Wagner left the meeting.

Mr. Ritenour presented a resolution to ratify the reservation by the Authority of federal low-income housing tax credits. Commissioner Thomas moved that the Committee recommend approval of the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated September 11, 2002. This motion was seconded by

Commissioner Gifford and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting and authorized to vote.

Upon the conclusion of a discussion by the members of the Committee, Commissioner Gifford moved that the Committee recommended approval of the following resolutions entitled “Resolution Authorizing a Multi-Family Mortgage Loan to Finance Jabez Court I and II,” “Resolution Authorizing a Multi-Family Mortgage Loan to Finance Mountain View Townhouses,” “Resolution Authorizing Increase in Mortgage Loan for Oak Creek Apartments,” “Resolution Authorizing a Multi-Family Mortgage Loan to Finance 6115 Alexander Street,” “Resolution Authorizing a Multi-Family Mortgage Loan to Finance Coppermine Place Seniors,” “Resolution Authorizing a Multi-Family Mortgage Loan to Finance Crater Square Apartments,” “Resolution Authorizing a Multi-Family Mortgage Loan to Finance Germanna Heights,” “Resolution Authorizing Increase in Mortgage Loan for Rose Hall Apartments I,” “Resolution Authorizing a Multi-Family Mortgage Loan to Finance Walmsley Terrace Apartments,” “Resolution Authorizing Increase in Mortgage Loan for Westover Station Apartments,” “Resolution Authorizing a Multi-Family Mortgage Loan to Finance Checed Warwick Seniors Apartments,” “Resolution Authorizing a Multi-Family Mortgage Loan to Finance The Villages at Aspen Club,” “Amended and Restated Resolution Authorizing a Multi-Family Mortgage Loan to Finance Caroline Manor I Apartments,” “Amended and Restated Resolution Authorizing a Multi-Family Mortgage Loan to Finance Kilmarnock Village Apartments,” “Amended and Restated Resolution Authorizing a Multi-Family Mortgage Loan to Finance Sandston Woods Apartments,” “Resolution Authorizing Increase in Mortgage Loan for Crater Woods Apartments, Phase II,” “Amended and Restated Resolution Authorizing a Multi-Family Mortgage Loan to Finance Manassas Park Seniors Apartments,” and “Resolution Authorizing Increase in Mortgage Loan for Poplar Forest III,” all dated September 11, 2002. This motion was seconded by Commissioner Thomas and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting and authorized to vote. Following this action, the Committee requested the staff to provide a report at each Committee meeting on the Authority’s single family mortgage loan program.

Mr. Ritenour then reported on the following changes in the Authority’s single family program: increases in the sales price limits for the single family mortgage loans financed, in whole or in part, with proceeds of tax exempt bonds; increases in the income limits for single family mortgage loans financed, in whole or in part, with the proceeds of tax exempt bonds and financed under the Flexible Alternative program; and increases in the maximum loan amount for single family mortgage loans financed under the Flexible Alternative program.

Mr. Ritenour next presented a report on the proposed allocation of funds in the Virginia Housing Fund. After a discussion by the members of the Committee, Commissioner Gifford moved that the Committee recommend that funds in the Virginia Housing Fund be allocated in accordance with the memorandum of Mr. Ritenour dated September 9, 2002 in the form distributed to the members of the Committee. This motion was seconded by Commissioner Thomas and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting and authorized to vote.

Mr. Ritenour then advised the members of the Committee that the incomes of applicants who are intending to occupy a rental unit as multiple households in a development financed by funds other than proceeds of tax exempt bonds of the Authority would be considered individually in determining compliance of the occupants with the applicable income limit of the Authority, provided that the income of each of the households not exceed 100% of the area median gross income, that the units in any development occupied by such multiple households not exceed 20% of the units in such development and that the owner of such development agree that at least 20% of the units in the development will be occupied by individuals and families whose incomes as of the date of their initial occupancy of such units do not exceed 80% of the area median gross income.

There being no further business, the meeting was adjourned at approximately 11:00 a.m.

Minutes of the Meeting of the Operations Committee Held on September 11, 2002

The meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on September 11, 2002 at Hotel Roanoke, 110 Shenandoah Avenue, Roanoke, Virginia.

Committee Members Present Gary Klein, Chairman
Charles Krum
Jody Wagner

Other Commissioners Present Allen H. Jones
William C. Shelton
H. Evans Thomas
Joan Gifford

Others Present Susan F. Dewey, Executive Director
Art Bowen, Managing Director of Public Policy
Brenda Goodman, Strategic Development Leader
Judson McKellar, General Counsel
Ron A. Reger, Managing Director of Information Services
Tammy Taylor, Managing Director of Human Resources
Conrad K. Sterrett, Bonds and Investments Director
Robert E. Washington, Managing Director of Finance & Administration
Russ Wyatt, General Auditor

Meeting Called to Order The meeting was called to order at 9:58 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time. The Committee members noted above as present at the meeting remained present throughout the meeting. The other Commissioners noted above as present joined the meeting as noted below.

Approval of Minutes Commissioner Klein moved approval of the minutes of the meeting of the Operations Committee held on July 24, 2002. Commissioner Wagner seconded this motion. This motion was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Internal Audit Report The General Auditor, Russ Wyatt, reported on recruitment efforts to fill two vacant positions in the Audit Department, the status of the current biennial audit schedule and control issues identified in those audits completed since the last Operations

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Internal Audit Report (cont'd)

Committee meeting. The General Auditor also reported that no adverse reports were issued in the time period covered by this report; however, the Board expressed an interest in having associate performance ratings tied to audit comments, specifically if the audit issues are not addressed by the time of the next audit.

The General Auditor then reported on the department's five strategic areas of focus and the department's new schedule of activities covering the next five-year period. The five areas of focus identified by Mr. Wyatt included:

- Comparing the results of operations and programs with established goals and objectives.
- The addition of planned special projects to the schedule and the development of a flexible schedule that allows for unplanned special projects without distorting the schedule.
- The development and implementation of perpetual auditing tasks.
- The development and maintenance of an Audit Intranet website.
- The establishment of a risk-based audit schedule that calls for most full departmental audits to be performed on a five-year cycle frequency and high risk processes to be reviewed in the interim.

To mitigate risk and concern regarding the shift from a two year audit cycle to a five year audit cycle, Mr. Wyatt reported that the new schedule would include the following:

- The two highest risk areas (the HCV Program and the Investments Department) will be performed twice in the five-year cycle.
- All loan and investment confirmations will continue to be performed annually.
- An interim review, to be performed between full departmental audits, will be scheduled for all high-risk processes identified in each department.

Mr. Wyatt presented a draft of the new schedule and requested that the Commissioners review it and provide him with their questions, concerns or other feedback at the November meeting.

Salient Features Memoranda for Bond Issues

Conrad Sterrett presented the three salient features memoranda for forthcoming bond issues. The three memoranda covered 1) Two taxable single family MBS pass-through issues of Commonwealth Mortgage Bonds for a total of \$240 million; 2) A \$346 million issue of VHDA General Purpose bonds to finance both multifamily and

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**Salient
Features
Memoranda for
Bond Issues**
(cont'd)

single family loans and to refund certain bonds outstanding; and 3) A \$110 million multifamily issue of Rental Housing Bonds. In his salient features memorandum on the VHDA General Purpose Bonds, Mr. Sterrett advised the Committee as to the staff recommendation for the firms to be included in the underwriting syndicate, and the Committee concurred with the staff recommendation. Because the issuance of the Commonwealth Mortgage Bonds and the Rental Housing Bonds do not exceed the amounts previously authorized by the Board, no official Board action was required.

**Approval of
VHDA General
Purpose Bonds**

Judson McKellar reviewed a supplemental bond resolution to authorize the issuance and sale of the Authority's VHDA General Purpose Bonds and stated that the resolution was in proper form for adoption. Commissioner Krum moved that the Committee recommend approval of the resolution. Commissioner Wagner seconded this motion. This motion was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

**Housing Choice
Voucher
Program
Update**

Bob Washington distributed a handout on the status of the Housing Choice Voucher program. Leasing remains at 90% for September 1. The use of the annual budget (program funding) continues to be above the 90% HUD required threshold. Have received verbal notice that VHDA will receive 112 new vouchers in response to the Fair Share Funding Notice. ECS software is operating effectively, all bugs have been resolved. There will be additional training sessions to the local agents in the Fall. On track to acquire and install three modules toward the end of the FY. Completed most of the staffing changes (10 positions are new); 2 positions are left to be filled. Currently evaluating job description and pay level for the Accounting Manager position before posting again.

Benefits Update

Tammy Taylor provided a handout and report on VHDA's benefits. The handout represents additional pages to the Palmer & Cay benefit study previous provided. Based on this information, VHDA associates pay the lowest cost for benefits. Contract with the current provider (Trigon) expires at the end of 2002. VHDA is currently reviewing proposals from vendors and will enter into a new contract effective January 1, 2003. RFP was issued in July and have received 4 proposals for each type of benefit. The current vendor has submitted a proposal reflecting a 20.9% increase based on current plan design. As recommended by Palmer & Cay, VHDA conducted in-house focus groups. The Leadership Team analyzed the information and recommends passing 25% of the projected healthcare increase onto associates

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Benefits Update
(cont'd)

for the 2003 Plan Year. The actual increase in cost per associate will vary based on individual selections. Because the Authority has not passed on increases in healthcare costs to associates for the past seven years, they believe that it is appropriate to make this transition gradually in order to avoid undue distress for associates. Ms. Taylor advised the Committee that during the next three to four months the Leadership Team would be developing a philosophy for providing benefits and managing costs. Commissioner Krum moved that the committee accept the recommendation of staff to proceed as outlined. Commissioner Wagner seconded the motion. This motion was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

At approximately 11:05 a.m., members of the Programs Committee (Commissioners Allen Jones, Bill Shelton, E. Evans Thomas and Joan Gifford), joined the Operations Committee to review the next two agenda items and remained present throughout the remainder of the meeting.

**Review of
Performance
Management
Outcome**

Tammy Taylor provided a report on the comparison of FY 01 and FY 02 performance results using the new five point rating scale and quartile range. For FY 02, the ranking is as follows:

Exceptional	9
Exceeds Expectation	109
Proficient	149
Below Expectation	6
Unsatisfactory	<u>0</u>

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The Authority paid out 93% of the allocated pool for individual merit increases which is determined by the total base salaries of eligible associates multiplied by 4.2% (3.5% annual budgeted amount + .7% to reflect 3 month payout delay from July to October) from a total pool of \$674,000. Merit increases were based on performance and took salaries, in relation to market-range quartiles, into consideration. Audit findings did not indicate any adverse effects based on race, gender or age.

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**Assessment of
VHDA's
Performance
for FY '02**

Tammy Taylor also gave a report on Commissioner evaluations of the Authority's performance. Eight out of 10 Commissioner assessments were received and summarized on the handout distributed by Tammy. The Committee rated the overall VHDA performance as proficient (2.5%) which is close to individual ratings (2.44%). The actual framework of the assessment had two components (organizational-50% and individual-50%). Tammy then requested the Board to confirm this rating and determine the appropriate amount and distribution preferences of any incentive awards. Tammy provided information on the actual dollars and offered several scenarios for the Board to consider. After discussion and consideration, Commissioner Jones moved that the Committee recommend that the undisbursed portion of the merit pool be distributed to the Authority's staff associates with a rating of "Exceeds Expectations" or "Exceptional" and that the Authority's staff associates receive, on average, three floating vacation days for fiscal year 2002-2003. This motion was seconded by Commissioner Krum and was approved by the affirmative vote of each of the members of the Committee then present at the meeting and authorized to vote. Ms. Dewey's performance was reviewed by the Committee and the Committee assigned her performance a rating of "Exceeds Expectations."

Susan F. Dewey
Executive Director

Gary Klein
Chairman