

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA  
August 19, 2020  
9:00 a.m.

Electronic Meeting

Members Present: Manju S. Ganeriwala, Chairwoman  
Craig Burns  
James Carney  
Douglas Densmore  
David Von Moll

Members Absent: Neil Amin  
Luis Mejia

Others Present:	Don Ferguson	Office of the Attorney General
	Lauren Figg	Auditor of Public Accounts
	Scott Detar	Bank of America
	Kevin Larkin	Bank of America
	Fred Vosburgh	JP Morgan
	George Scruggs	Kutak Rock
	Bryce Lee	The Optimal Service Group
	Karen Logan	The Optimal Service Group
	Nelson Bush	PFM
	Janet Lee	PRAG
	Rachel Adams	Raymond James
	Laura Farmer	Department of Transportation
	Wendy Thomas	Department of Transportation
	Misty Upson	Department of Transportation
	Janet Aylor	Department of the Treasury
	Neil Boege	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Kathy Foote	Department of the Treasury
	Laura Lingo	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	David Swynford	Department of the Treasury

**Call to Order and Approval of Minutes**

Chairwoman Ganeriwala called the meeting to order at 9:00 AM and Vernita Boone, Board Secretary, took roll.

Chairwoman Ganeriwala asked if there were any changes or revisions to the June 17 meeting minutes. Mr. Densmore moved for approval of the minutes. Mr. Von Moll seconded and the motion carried. The votes were as follows:

Neil Amin	Absent
Craig Burns	Yes
James Carney	Yes
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Louis Mejia	Absent
David Von Moll	Yes

**Public Comment**

None

**Resolution Approving the Plan of Finance for the Issuance and Sale by the Commonwealth Transportation Board (CTB) of the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2020**

Janet Aylor introduced Chief Financial Officer Laura Farmer, Director of Financial Planning Wendy Thomas, and Debt Manager Misty Upson of the Virginia Department of Transportation, Janet Lee of PRAG financial advisor to VDOT and George Scruggs of Kutak Rock, bond counsel for the CTB transaction.

Ms. Aylor presented the Preliminary Financing Summary for the \$98.8 million of Commonwealth Transportation Board, Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2020 (the “2020 Notes”). It is expected that the Transportation Board will use the net proceeds of the 2020 Notes to (i) provide for the payment of certain costs of certain eligible transportation projects, totaling approximately \$127.3 million in the Commonwealth of Virginia and (ii) pay certain costs related to the issuance of the 2020 Notes. The 2020 Notes are the seventh series of notes issued by the Transportation Board under the GARVEE Act. The bonds are scheduled for negotiated sale on September 16, 2020. The estimated all-in true interest cost as of August 18, 2020 was 1.37%.

Discussion ensued.

George Scruggs, representing Kutak Rock as Bond Counsel, reviewed the Resolution.

Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Carney moved that the Resolution be adopted. Mr. Densmore seconded, and the motion carried unanimously. The votes were as follows:

Neil Amin	Absent
Craig Burns	Yes
James Carney	Yes
Douglas Densmore	Yes
Manju Ganeriwala	Yes

Louis Mejia	Absent
David Von Moll	Yes

### **Motion to Begin the Process of Amending SPDA Regulations**

Kristin Reiter presented the proposed timeline and high-level summary of proposed revisions to the Virginia Security for Public Deposits Act (SPDA) Regulations. Treasury proposes to amend the SPDA Regulations through the Virginia Administrative Process Act to make the SPDA Program safer; improve the liquidity and marketability of pledged collateral, and ensure the Regulations are consistent with Virginia Code and current practices. This is expected to be approximately a two-year process.

Discussion ensued regarding the enforceability of guidelines vs. enforceability of regulations.

Chairwoman Ganeriwala asked for a motion to amend the Virginia SPDA regulations. Mr. Densmore moved that the motion be adopted. Mr. Carney seconded and the motion carried. The votes were as follows:

Neil Amin	Absent
Craig Burns	Yes
James Carney	Yes
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Louis Mejia	Absent
David Von Moll	Yes

### **Board Briefing**

#### **Optimal Services Group of Wells Fargo Advisors Briefing on the 2<sup>nd</sup> Quarter Performance Reports for the Extended Duration Credit Portfolio and TICR Investment Portfolio**

Bryce Lee provided a market update to the group. This has been the best quarterly performance in equities since 1998. Low interest rates are expected through the near future.

Mr. Lee briefed the Board on the General Account extended duration portfolio. The portfolio was valued at \$2.0 billion and had an unrealized gain of \$123 million. The portfolio return in the second quarter was 3.1% net of fees, with a benchmark return of 2.4%. The portfolio return for FY-to-date was 7.5% net of fees, with a benchmark return of 7.1%.

Karen Logan briefed the Board on the General Account External Managers' investment performance and the Quarterly Investment Manager Performance of TICR Endowment for taxable and tax-exempt portfolios for the 2<sup>nd</sup> quarter of 2020.

The TICR taxable portfolio was valued at \$214 million and had earned income of \$6.3 million FY-to-date and a total investment gain of \$13.5 million. The portfolio return in the 2<sup>nd</sup> quarter was 2.3% net of fees versus the benchmark return of 1.3%. The TICR tax-exempt portfolio was valued at \$189 million, earned income of \$4.4 million FY-to-date and had a total investment gain of \$7.6 million. The 2<sup>nd</sup> quarter return net of fees was 2.4% net of fees versus a benchmark return of 2.6%.

### **Staff Reports**

## **Debt Management**

Ms. Aylor reviewed the Debt Calendar as of August 1, 2020 and the leasing reports as of July 31, 2020. Ms. Aylor also informed the Board that \$27.8 million was used to date under the Master Lease Program leaving a line of credit balance of \$8.3 million. There was no activity in the Energy Lease Program.

Ms. Aylor reviewed the Final Financing Summary for approximately \$681 million Virginia College Building Authority Educational Facilities Revenue Bonds and Educational Facilities Federally Taxable Revenue Refunding Bond. Next, she reviewed the Final Financing Summary for \$77.8 million Virginia Port Authority Commonwealth Port Fund Revenue Refunding Bonds, Series 2020A (Taxable) and \$19.8 million Virginia Port Authority Commonwealth Port Fund Revenue Refunding Bonds, Series 2020B (AMT).

## **Security for Public Deposits**

Ms. Reiter reviewed the SPDA Report for the month ended June 30, 2020. Ms. Reiter reported that Wells Fargo Bank, N.A. was undercollateralized in June due to the receipt of a late day public deposit on June 30. Ms. Reiter noted that the IDC ratings were updated using IDC's 1<sup>st</sup> Quarter 2020 report. CornerStone Bank, a pooled bank, is still required to pledge 100% collateral and be listed on our below average listing until the Bank's IDC ranking is average or above for two quarters. If ranked average or above on IDC's 2<sup>nd</sup> Quarter report, the Bank will be removed from the below average listing.

Ms. Reiter reviewed the quarterly statistics reports at the end of June. At June 30, 87 public depositories held \$9 billion in public funds. Six billion dollars was held by 27 opt-out depositories; \$3 billion were held by 60 pooled depositories. With regard to the types of securities pledged as collateral at June 30, there were some significant changes in the securities pledged by our largest opt-out banks during the quarter. The use of FHLB Letters of Credit as collateral dropped from 53% in March to 11% in June. The use of mortgage back securities issued by the Federal National Mortgage Association increased from 19% in March to 46% in June. Part of this relates to Truist Bank adjusting their collateral after the merger between SunTrust and BB&T. Several other large opt-out banks also moved from the FHLB Letters of Credit to mortgage-back securities. There were no significant changes in the types of securities pledged by pooled banks during this quarter.

## **State Non-Arbitrage Program**

Nelson Bush provided comments on the current market. Low returns from the SNAP fund are expected going into the future. Interest rates are expected to remain low for an extended period of time.

Mr. Bush then reviewed the SNAP report as of July 31, 2020. The fund's assets were valued at \$5.14 billion. The monthly distribution yield was 0.37%, decreasing from June's yield of 0.53%. The weighted average maturity of the fund was 57 days.

## **Investments**

Neil Boege reviewed the Investment reports for the month ended July 31, 2020. The general account composite yield to maturity was 0.63%.

Mr. Boege then reported on the LGIP portfolio, which was in compliance for all measures for the month of July and was valued at approximately \$7.7 billion. The average yield on the portfolio was 0.36%. Mr. Boege then reviewed the LGIP Extended Maturity portfolio. The net asset value yield to maturity was 1.17%. The average duration was 1.1 years.

**Other Business**

Chairwoman Ganeriwala stated that the next Treasury Board meeting is tentatively scheduled for September 23, 2020. The meeting adjourned at 10:20 AM.

Respectfully submitted,

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Vernita Boone, Secretary  
Commonwealth of Virginia Treasury Board