

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

April 18, 2018

9:00 a.m.

Treasury Board Conference Room
James Monroe Building
101 N. 14th Street, 3rd Floor
Richmond, Virginia

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

Members Absent: Neil Amin
Lou Mejia
David Von Moll

Others Present:	Katie Collins	Auditor of Public Accounts
	Kevin Larkin	Bank of America Merrill Lynch
	George Scruggs	Kutuk Rock
	Elizabeth Myers	Office of the Attorney General
	Brian Moore	Optimal Service Group
	James Johnson	Optimal Service Group
	Karen Logan	Optimal Service Group
	Nelson Bush	Public Financial Management
	Adam Rosatelli	Senate Finance Committee
	Douglas Sbertoli	Williams and Mullen
	Laura Farmer	Department of Transportation
	Janet Aylor	Department of the Treasury
	Neil Boege	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Nathan Conquest	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Leslie English	Department of the Treasury
	Kathy Green	Department of the Treasury
	Debora Greene	Department of the Treasury
	Shree Harrell	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	David Swynford	Department of the Treasury
	Mike Tutor	Department of the Treasury
	Bill Watt	Department of the Treasury

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:02 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the minutes of the March 23, 2018 meeting. There being none, Chairwoman Ganeriwala asked for a vote of approval of the minutes. Mr. Carney abstained due to him being absent from the March 23 meeting. Mr. Densmore moved for approval of the minutes, Mr. Burns seconded, and the motion carried unanimously with one abstention.

Public Comment

None

Action Items

Resolution Approving the Plan of Finance for the Issuance and Sale of Commonwealth Transportation Board Transportation Capital Projects Revenue Bonds

Janet Aylor presented the Preliminary Financing Summary for the issuance of \$155 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2018. The proceeds of the Bonds are being used to finance various transportation projects throughout the Commonwealth pursuant to the Bond Act and pay certain costs related to the issuance of the Series 2018 Bonds. The Bonds are scheduled for competitive bid on May 31, 2018. The estimated true interest cost as of April 17, 2018 is 3.60%. The Bonds are secured and payable from revenues deposited into the Priority Transportation Fund and from the revenues, receipts allocated by the Transportation Board and appropriated to it by the General Assembly.

Discussion ensued.

Doug Sbertoli, representing Williams & Mullen, reviewed the Resolution.

Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Densmore moved that the Resolution be adopted. Mr. Carney seconded, and the motion carried unanimously.

Resolution Approving the Plan of Finance for the Issuance and Sale of Virginia College Building Authority Bonds for Capital Projects Under the 21st Century College and Equipment Programs

A revised Resolution was distributed. Leslie English presented the Preliminary Financing Summary for the issuance of \$75.8 million of Virginia College Building Authority, Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2018A, and \$247.8 million Virginia College Building Authority, Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2018B. The proceeds of the B Bonds are being used to finance approximately \$282.2 million of certain on-going capital projects at public institutions of higher education. In addition, proceeds of the A Bonds are being used to acquire approximately \$83 million of equipment at public institutions of higher education. The 2018A Bonds are scheduled for competitive sale on May 16, 2018 and the 2018B Bonds will be

scheduled for competitive sale at a later date. The estimated true interest cost as of April 17, 2018 is 3.27% in the aggregate, 2.32% for the Series 2018A and 3.38% for the Series 2018B. The Bonds are secured by funds appropriated for such purpose by the General Assembly.

Discussion ensued. A board member clarified that the Board is “required” rather than “empowered” to approve Resolutions; therefore, the first “whereas” clause of the Resolution Approving the Plan of Finance for the Issuance and Sale of Virginia College Building Authority Bonds for Capital Projects Under the 21st Century College and Equipment Programs needs to be changed to reflect such.

George Scruggs, representing Kutak Rock, reviewed the Resolution

Chairwoman Ganeriwala asked for a motion to approve the Resolution, as amended, to reflect that the Board is required, pursuant to Section 2.2-2416(7) of the Code of Virginia of 1950. Mr. Carney moved that the Resolution be adopted. Mr. Burns seconded, and the motion carried unanimously.

Staff Reports

Debt Management

Janet Aylor reviewed the Debt Calendar as of April 1, 2018. Ms. Aylor noted that there would be several bond sales in May. General obligation 9C bonds are planned for issuance in the middle of July.

Ms. Aylor also reviewed the leasing reports as of March 31, 2018. She informed the Board that \$2.5 million was issued under the Master Lease Program leaving a line of credit balance of \$15.2 million. She also informed the board that \$2.8 million was provided under the Energy Lease Program and the line of credit balance is \$37 million.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended February 28, 2018. Ms. Reiter reported that no banks were under collateralized for the month. Ms. Reiter noted that the IDC ratings remain the same as the month prior, using IDC’s 3rd Quarter calendar 2017 report.

State Non-Arbitrage Program

Nelson Bush reviewed the SNAP report as of March 31, 2018. The federal government increased interest rates. The fund’s assets were valued at \$3.9 billion, no change from the month prior. The monthly yield was 1.70%, 13 basis points more than the month prior. The weighted average maturity of the fund was 32 days. There were \$138.7 million in new issuances for the month. At the end of March, 30% of the portfolio composition was in government securities. There is concern regarding the pace of the interest rate rising on the credit side. There are many T-Bills in supply due to it being tax season. Spreads are increasing and are not credit related. As of April 17, of the T-Bills allocated, over half have matured.

Investments

Mr. Boege reviewed the Investment reports for the month ended March 31, 2018. The General Account portfolio was \$6.5 billion, mostly stable to slightly lower than the month prior. The average yield on the Primary Liquidity portion of the General Account was 1.60%, up five basis points from the month prior. The Extended Duration portion of the portfolio had a yield to maturity of 2.96 %. This resulted in the composite yield being 1.86% for the month.

Mr. Boege then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of March. The LGIP portfolio was \$187 million less than the month prior and is valued at \$4.0 billion. The average yield on the portfolio was 1.69%, up fourteen basis points from the month prior. The average maturity was 34 days, up four days from the previous month. There was a slight shift in asset allocation in the portfolio out of GSE/Agency securities into repurchase agreements, mostly reflecting better returns in repo versus richness in GSE securities.

Mr. Boege reviewed the LGIP Extended Maturity portfolio. The LGIP Extended Maturity portfolio was in compliance for all measures for the month of March. The net asset value yield to maturity was 1.76%, up ten basis points from the month prior. The average duration was 0.77 years.

Other Business

Chairwoman Ganeriwala stated that the next meeting of Treasury Board will be held on May 16, 2018. The meeting adjourned at 9:48 a.m.

Respectfully submitted,

Vernita Boone, Secretary
Commonwealth of Virginia Treasury Board

**RESOLUTION APPROVING A FINANCING PLAN FOR
VIRGINIA COLLEGE BUILDING AUTHORITY BONDS
UNDER 21ST CENTURY COLLEGE AND EQUIPMENT PROGRAMS
AND DELEGATING THE STATE TREASURER AUTHORITY TO
APPROVE BOND TERMS, STRUCTURE AND MANNER OF SALE**

WHEREAS, the Treasury Board of the Commonwealth of Virginia (the "Board") is required, pursuant to Section 2.2-2416(7) of the Code of Virginia of 1950, as amended (the "Virginia Code"), to approve the terms and structure of bonds executed by or for the benefit of state agencies, boards and authorities where debt service is to be made, in whole or in part, from appropriations by the General Assembly of the Commonwealth of Virginia (the "General Assembly");

WHEREAS, the General Assembly authorized the Virginia College Building Authority (the "Authority") to issue bonds to finance (a) certain capital improvements (the "21st Century College Projects") at public higher educational institutions pursuant to the 21st Century College Program and (b) certain scientific, technical and other equipment for teaching, research and related activities (the "Equipment Projects") at public higher educational institutions pursuant to the Equipment Program;

WHEREAS, debt service on Authority bonds issued to finance 21st Century College Projects and Equipment Projects will be paid primarily from revenues and receipts derived from general fund appropriations made by the General Assembly to the Board and forwarded to or at the direction of the Authority pursuant to an Amended and Restated Payment Agreement dated as of June 1, 1999, between the Board and the Authority (the "Payment Agreement");

WHEREAS, pursuant to a resolution adopted on April 11, 2018 (the "Authority Resolution"), the Authority authorized the issuance and sale of Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), in one or more series with appropriate year and series designation (the "Bonds"), the proceeds of which will be used to (a) finance 21st Century College and Equipment Projects and pay related costs, and (b) pay costs in connection with such issuance;

WHEREAS, a determination will be made closer to the time the Authority enters the market whether to offer and sell some or all of the Bonds pursuant to competitive bidding, negotiated sale or private placement, based on then-existing capital market or other economic and financial conditions and considering the advice of the Authority's financial advisors; and

WHEREAS, the terms and structure of the proposed financing are described in a draft Preliminary Official Statement (the "Preliminary Official Statement") and a Preliminary Financing Summary (the "Preliminary Financing Summary"), copies of which have been presented to this meeting and the members of the Board;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD THAT:

1. The plan of financing proposed by the Authority for issuance of the Bonds as outlined in the Preliminary Official Statement and the Preliminary Financing Summary

presented to this meeting, as may be revised by the Authority and Treasury staff, including without limitation, to reflect the offering and sale of one or more series of Bonds pursuant to negotiated sale or private placement, or the issuance of a series of Bonds the interest on which will be includable in gross income of the holders thereof for federal tax purposes, is hereby approved, subject to further approval by the State Treasurer pursuant to Section 2 of this Resolution.

2. Pursuant to Section 2.2-2416(9) of the Virginia Code, the Board deems it proper and delegates to the State Treasurer authority to act for and on behalf of the Board and to take such action as the State Treasurer, in the State Treasurer's sole discretion, may deem necessary or appropriate to approve the final terms and structure of the Bonds, to determine the manner of sale of the Bonds in one or more series, including without limitation if in the State Treasurer's sole discretion, based on then-existing capital market or other economic and financial conditions and considering the advice of the Authority's financial advisors, by competitive bidding, selection of an underwriter or group of underwriters for the Bonds and a negotiated sale, or solicitation for proposals and a private placement; *provided, however*, (a) (i) the aggregate principal amount of the Bonds does not exceed \$380,000,000, (ii) the final maturity of the Bonds is not later than (x) February 1, 2025 for any series of Bonds financing primarily Equipment Projects and (y) February 1, 2039 for any series of Bonds financing primarily 21st Century College Projects, and (iii) the aggregate true interest cost of any series of Bonds does not exceed (x) 3.00% for any series of Bonds financing primarily Equipment Projects and (y) 4.75% for any series of Bonds financing primarily 21st Century College Projects, taking into account any original issue discount or premium; and (b) the final aggregate principal amount of any series of Bonds takes into account any net original issue premium in excess of a diminimis amount to the extent required by Section 2.2-5002.1 of the Virginia Code.

3. The Board ratifies and confirms the Payment Agreement.

4. The State Treasurer is authorized to take such further action as is necessary to carry out the purposes and intent of this Resolution.

5. This Resolution shall take effect immediately upon its adoption, and shall remain in effect for a period of one year after the date of adoption.

The undersigned Chairman of the Treasury Board of the Commonwealth of Virginia certifies that the foregoing is a true and correct copy of a Resolution adopted by the Treasury Board at a duly called meeting held on April 18, 2018.

Date: April __, 2018

Chairman, Treasury Board of the
Commonwealth of Virginia