

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA  
November 18, 2020  
9:00 a.m.

Electronic Meeting

Members Present: Manju S. Ganeriwala, Chairwoman  
Neil Amin  
Craig Burns  
Douglas Densmore  
Luis Mejia  
David Von Moll

Members Absent: James Carney

Others Present:	Don Ferguson	Office of the Attorney General
	Grayson Smith	Auditor of Public Accounts
	Kevin Larkin	Bank of America N.A.
	Markita Heard	JP Morgan
	Fred Vosburgh	JP Morgan
	Eric Ballou	Kaufman & Canoles
	Eric Hebert	Kaufman & Canoles
	George Scruggs	Kutak Rock
	Bryce Lee	The Optimal Service Group
	Karen Logan	The Optimal Service Group
	Nelson Bush	PFM
	Joanne Carter	PFM
	Kristy Choi	PFM
	Christina Illirina	PRAG
	Janet Lee	PRAG
	Steve Peyser	PRAG
	Sandi Jackson	Virginia Port Authority
	Rodney Oliver	Virginia Port Authority
	Janet Aylor	Department of the Treasury
	Neil Boege	Department of the Treasury
	Leslie English	Department of the Treasury
	Kathy Foote	Department of the Treasury
	Debora Greene	Department of the Treasury
	Laura Lingo	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Richard Rhodemyre	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	David Swynford	Department of the Treasury
	Timothy Wilhide	Department of the Treasury
	Stuart Williams	Department of the Treasury

## **Call to Order and Approval of Minutes**

Chairwoman Ganeriwala called the meeting to order at 9:02 AM and Vernita Boone, Board Secretary, took roll.

Chairwoman Ganeriwala asked if there were any changes or revisions to the September 23 meeting minutes. Mr. Densmore moved for approval of the minutes. Mr. Mejia seconded and the motion carried unanimously.

## **Public Comment**

None

## **Action Items**

### **Resolution Authorizing Equipment Financing Under a Proposed Master Equipment Lease for the Virginia Port Authority**

Leslie English introduced Rodney Oliver (Chief Financial Officer) and Sandi Jackson (Director of Treasury) of the Virginia Port Authority, Eric Ballou and Eric Hebert (Virginia Port Authority's Bond Counsel) of Kaufman & Canoles, P.C, and Kristy Choi and JoAnne Carter (Virginia Port Authority's Financial Advisors) of PFM.

The Authority is seeking to establish a Master Equipment Lease Agreement in the amount of \$63 million over a three-year period, expiring September 30, 2023. The purpose of the financing is to acquire certain equipment in connection with the ongoing renovation of Norfolk International Terminals, but that also may be used at Portsmouth Marine Terminal, Richmond Marine Terminal, Virginia Inland Port and Virginia International Gateway Terminal. The interest rates will be set based on the agreed upon formula and prevailing market rates at the time of draws.

Discussion ensued. Mr. Densmore questioned the reference to the subordinate lien as mentioned in the request letter from the Port of Virginia. Mr. Oliver provided some background information to the Board on the reasons for subordination of this proposed master lease and the prior master lease, approved by the Treasury Board under similar terms.

Mr. Densmore raised a question regarding Section 23 - Remedies of the lease agreement. In response, Eric Ballou explained that provision of the lease agreement and reviewed the resolution. Mr. Ballou apologized for not adding a section to the resolution to discuss termination and proposed that the resolution be revised to include a section on termination (See Attachment 1). The termination of the Treasury Board approval will expire September 30, 2021.

Chairwoman Ganeriwala asked for a motion to approve the resolution as revised. Mr. Densmore moved that the Resolution be adopted. Mr. Amin seconded, and the motion carried as follows:

Neil Amin	Yes
Craig Burns	Did Not Vote
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Louis Mejia	Yes
David Von Moll	Yes

## **Resolution Authorizing Terms and Structure of VCBA Educational Facilities Revenue Refunding Bonds, Including Refunding Bonds for Debt Restructuring**

Richard Rhodemyre introduced Janet Lee and Steve Peyser (VCBA’s Financial Advisors) of Public Resources Advisory Group (PRAG) and George Scruggs (VCBA’s Bond Counsel) of Kutak Rock.

Mr. Rhodemyre presented the Preliminary Financing Summary for approximately \$25.3 million Educational Facilities Revenue Refunding Bonds, Series 2021A (Tax-Exempt) and approximately \$472 million Educational Facilities Revenue Refunding Bonds, Series 2021B (Federally Taxable). The 2021A Bonds and the 2021B Bonds will represent the thirty-third and thirty-fourth series of bonds, respectively, under the program and proceeds will be used to (i) refund and/or restructure certain maturities of prior bonds and (ii) pay costs of issuing the 2021 Bonds. Pricing is preliminarily set for January 13, 2021 with a delivery date of February 3, 2021. The Bonds are tentatively scheduled to be sold competitively using electronic bidding. As of October 21, 2020, the estimated all-in true interest cost was 2.38%.

Discussion ensued. Mr. Mejia raised a question regarding the costs of issuance, specifically the cost related to financial advisor fees, as it seemed relatively high. Mr. Rhodemyre and Ms. Lee walked through how PRAG arrived at the cost.

Discussion ensued. Chairwoman Ganeriwala explained the importance of the project to the Governor and detailed the complexity of the project. She mentioned that the Governor had issued a press release regarding the Northam Administration’s proposed refinancing plan for Virginia colleges and universities (See Attachment 2). Chairwoman Ganeriwala expressed that she is comfortable with the work of staff and satisfied with the cost as presented.

Discussion ensued regarding the debt service relief on the financing summary. After discussion, Mr. Rhodemyre reviewed the financing summary with the Board.

George Scruggs, representing Kutak Rock, reviewed the resolution.

Discussion ensued regarding the authority of the State Treasurer as discussed in paragraph 2 of the resolution. It was decided that the following language (in bold/underlined) would be added (See Attachment 3):

*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, **consistent with provisions of the resolution**, may deem necessary.....*

Chairwoman Ganeriwala asked for a motion to approve the resolution as revised. Mr. Mejia moved that the motion be adopted. Mr. Von Moll seconded and the motion carried unanimously. The votes were as follows:

Neil Amin	Yes
Craig Burns	Did Not Vote
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Louis Mejia	Yes
David Von Moll	Yes

## **Board Briefing**

### **Optimal Services Group of Wells Fargo Advisors Briefing on the 3<sup>rd</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 first negative return since March. There has been strong growth in the second and third calendar year quarter. Interest rates are at historic lows and will remain near the zero bound until 2023. All five managers outperformed their benchmark for the quarter and one-year period.

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 \$90 million. The portfolio return in the third quarter was 0.8% net of fees, with a benchmark return of 0.5%. The portfolio return for FY-to-date was 0.8% net of fees, with a benchmark return of 0.5%.

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 3<sup>rd</sup> quarter of 2020.

Volatility persisted in the stock market brought on by the Coronavirus. The TICR taxable portfolio was valued at \$211 million and had earned income of \$1.3 million FY-to-date and a total investment gain of \$1.2 million. The portfolio return in the 3<sup>rd</sup> quarter was 0.5% net of fees versus the benchmark return of 0.3%. The TICR tax-exempt portfolio was valued at \$189 million, earned income of \$1.1 million FY-to-date and had a total investment gain of \$2.0 million. The 3<sup>rd</sup> quarter return net of fees was 1.0% net of fees, matching the benchmark.

## **Staff Reports**

### **Debt Management**

Janet Aylor reviewed the Debt Calendar as of November 1, 2020 and the leasing reports as of October 31, 2020. Ms. Aylor also informed the Board that \$30 million was used to date under the Master Lease Program leaving a line of credit balance of \$6.4 million. Approximately \$10.8 million was used to date under the Energy Lease Program leaving a line of credit balance of approximately \$29.2 million.

### **Security for Public Deposits**

Kristin Reiter reviewed the SPDA Report for the month ended September 30, 2020. Ms. Reiter reported that one pooled bank (Surrey Bank & Trust) was under collateralized in September. She further reported that one pooled bank (New Horizon Bank, N.A.) and one opt-out bank (Bank of Fincastle) moved to IDC's below-average category. Ms. Reiter noted that the IDC ratings were based on IDC's 2<sup>nd</sup> Quarter 2020 report.

Ms. Reiter provided a summary of the quarterly statistical reports for September. At September 20, 2020, eighty-seven public depositories held public deposit balances (net of FDIC) of \$8.0 billion. Twenty-seven opt-out depositories held public deposits totaling \$5.2 billion; sixty pooled depositories held public deposits of \$2.8 billion. The five public depositories holding the largest public deposit balances held \$5.1 billion or 64% of total public deposit balances. There were no significant changes in the types of securities pledged as collateral for the quarter or the percentage of public deposits held by out-of-state banks and banks chartered in Virginia.

Ms. Reiter reported that Treasury staff provided information to pooled depositories in October on what their contingent liability would be if a pooled depository were to fail and there were uncovered public deposit losses. Projections were provided using three different loss scenarios: public deposit losses of \$5 million, \$25 million, and \$75 million. Since November is open election period when depositories can choose their collateral method for the upcoming calendar year, it was important that staff provided this information to pooled depositories at that time. Copies of the memo and scenarios sent to the pooled depositories will be provided to the Board members.

### **State Non-Arbitrage Program**

Nelson Bush provided comments on the current market. The gross domestic product increased at an annualized 33.1% for the first estimate of the third quarter of 2020. The Federal Open Market Committee met on November 4 and 5 and held rates near zero. The U.S. labor market continues to rebound with unemployment falling from 7.9% in September to 6.9% in October.

Mr. Bush then reviewed the SNAP report as of October 31, 2020. The fund's assets were valued at approximately \$5.7 billion. The monthly distribution yield was 0.22%, decreasing from September's yield of 0.30%. The weighted average maturity of the fund was 57 days.

Mr. Bush reported that the SNAP participant survey will remain open until about 50 participants respond. A report on the survey results will be provided in the January Treasury Board report.

### **Investments**

Mr. Boege reviewed the Investment reports for the month ended October 31, 2020. The general account composite yield to maturity was 0.45%, seven basis points lower than in September.

Mr. Boege then reported on the LGIP portfolio, which was in compliance for all measures for the month of October and was valued at approximately \$7.5 billion. The average yield on the portfolio was 0.23%, a three basis point decline from the prior month, and the average maturity was stable at 52 days. Mr. Boege then reviewed the LGIP Extended Maturity portfolio. The net asset value yield to maturity was 0.78%, 11 basis points lower than September. The average maturity was 1.2 years.

### **Other Business**

Chairwoman Ganeriwala stated that the next Treasury Board meeting is tentatively scheduled for December 16, 2020. The meeting adjourned at 10:27 AM.

Attachments

Respectfully submitted,

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Vernita Boone, Secretary  
Commonwealth of Virginia Treasury Board