

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

April 19, 2023

9:00 a.m.

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

Members Present: David L. Richardson, Chairman
Neil Amin
Craig Burns
James Carney
Charles King
Randy McCabe
Joshua Weed

Meeting Guests:	Steve Cummings	Office of the Governor
	Don Ferguson	Office of the Attorney General
	Scott Fleming	PFM Asset Management LLC
	JoAnne Carter	PFM Financial Advisors LLC
	Kristy Choi	PFM Financial Advisors LLC
	David Swynford	Department of the Treasury
	Leslie English	Department of the Treasury
	Brad Jones	Department of the Treasury
	Stuart Williams	Department of the Treasury
	Jay Mahone	Department of the Treasury
	Laura Lingo	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	Vernita Boone	Department of the Treasury
	Melissa Palmer	Department of the Treasury
	Kathy Foote	Department of the Treasury
	Ty Wellford	Davenport
	Mark Burns	Wells Fargo
	Kevin Carney	Wells Fargo
	Bryce Lee	Optimal Service Group
	Joe Montgomery	Optimal Service Group
	Janice Wolk Grenadier	Public/Judicial Pedia
	Kevin Larkin	Bank of America
	Geoff Hoyes	Bank of America
	Scott Detar	Bank of America
	Doug Hornsby	CNU Real Estate Foundation
	Sean Ekiert	Raymond James
	Ron Tillett	Raymond James
	Anne Curtis Saunders	McGuireWoods LLP

Caroline Perrin
George Scruggs
Sandi Jackson
Rodney Oliver
Doug Sbertoli
Janet Lee
Christine Llarina

McGuireWoods LLP
Kutak Rock
Virginia Port Authority
Virginia Port Authority
Williams Mullen
PRAG (via telephone)
PRAG (via telephone)

Call to Order and Approval of Minutes

Chairman Richardson welcomed the Board members and called the meeting to order at 9:00 a.m.

Chairman Richardson asked if there were any changes or revisions to the minutes of the March 15, 2023 meeting. Board Secretary Yvonne Scruggs noted a change in the attendance of Commissioner Craig Burns at the March 15, 2023 meeting and advised the Board of Commissioner Burns' absence at the meeting. Chairman Richardson asked for a vote of approval of the amended minutes. Charles King moved for approval, Neil Amin seconded, and the motion carried unanimously. Chairman Richardson abstained.

Chairman Richardson presented a written Disclosure pursuant to Section 2.2-3112 in connection with the bond transactions.

Public Comment

Chairman Richardson called for any public comments. One citizen addressed the Board:

Janice Grenadier of JudicialPedia commented on Wells Fargo Bank's practices.

Action Items

Resolutions Approving Proposed Revenue Bond Modifications Related to Christopher Newport University (CNU) Real Estate Foundation

Brad Jones introduced the CNU team: Doug Hornsby, CEO of the Real Estate Foundation (the "Foundation"), Anne Curtis Saunders and Caroline Perrin from McGuireWoods, counsel to the Foundation and Sean Ekiert with Raymond James, financial advisor on the transactions.

Mr. Jones presented the Preliminary Summary of revenue bond modifications for the \$14,000,000, Series 2019 (Barclay/CNU Apartments Project) and the \$41,290,000, Series 2013 (Rappahannock Hall at Christopher Newport University Project).

The purpose of the bond modifications is to amend the variable interest rate formula to account for the cessation of LIBOR by replacing the LIBOR index with AMERIBOR.

J. P. Carney asked a question regarding the condition of the two indices and whether it had been determined whether there was any basis differential between LIBOR or AMERIBOR historically during low and high interest rate movements. Neil Amin additionally commented on the selection process and Sean Ekiert noted that Ameribor was the index agreeable to Truist.

Discussion ensued.

Ann Curtis Saunders of McGuire Woods, LLP reviewed the resolutions authorizing the amendments to the 2013 and 2019 revenue bonds.

Chairman Richardson asked for a motion to approve the Resolution regarding Series 2013 Rappahannock Hall at Christopher Newport University Project. Randy McCabe moved the Resolution be approved. J.P. Carney seconded, and the motion was carried unanimously.

Chairman Richardson asked for a motion to approve the Resolution regarding Series 2019 Barclay/CNU Apartments Project. J.P. Carney moved the Resolution be approved. Charles King seconded, and the motion carried unanimously.

Resolution Approving the Plan of Finance for the Issuance by the Virginia Port Authority of its Commonwealth Port Fund Revenue Bonds, Series 2023A and Commonwealth Port Fund (“LPP”) Revenue Refunding Bonds, Series 2023B

Brad Jones introduced Rodney Oliver and Sandi Jackson with the Virginia Port Authority (the “Authority”), JoAnne Carter with PFM Financial Advisors, Doug Sbertoli with Williams Mullen, bond counsel to the Authority, and Mark Burns and Kevin Carney with Wells Fargo who are serving as the Senior Underwriters. He noted Raymond James and Bank of America Securities are also underwriters on the transaction and have representation at the meeting.

Mr. Jones presented the Preliminary Financing Summary for the issuance of \$146,215,000 Series 2023A (Non-AMT) Commonwealth Port Fund Revenue Bonds and \$52,385,000 Series 2023B (Non-AMT) Commonwealth Port Fund Revenue Refunding Bonds. The purpose of the Bonds is to finance various improvements to the Norfolk International Terminals, including certain costs associated with the improvements that will result in an expansion of and improvements to the container stackyard area, and adjacent truck transfer zone and other improvements to real estate and to refund and defease all or a portion of the Authority’s Commonwealth Port Fund Revenue Bonds, Series 2018 (Taxable) and pay the costs of issuing the 2023 Bonds.

The 2023 Bonds will be paid primarily from revenues and receipts derived from the Commonwealth Port Fund and if and to the extent such revenues and receipts shall be insufficient, first from legally available moneys in the Transportation Trust Fund and then from a “sum sufficient” appropriation from the General Fund of the Commonwealth.

The sale date is scheduled for April 26, 2023 with a delivery date on or about May 11, 2023. Mr. Jones reviewed the bond structure and payment terms, noting the Series 2023A Bonds would be amortized up to 25 years and 2023B Bonds would be structured similarly to the refunded

bonds. He noted the Series 2023A Bonds were being structured to wrap around the existing debt service.

The estimated true interest cost as of April 17 was noted to be 4.13% on the 2023A Bonds and 2.76% on the 2023B Bonds. He noted that rates spiked on April 18 so the estimated costs have increased as of the meeting. He also noted the expected refunding savings. Ratings are expected to be at AA+ levels or equivalent levels. The estimated costs of the issuance are \$490,000 excluding the underwriters' discount.

JoAnne Carter, PFM Financial Advisors discussed the debt service of the CPF Debt Portfolio, the annual payments, and the costs of the wrap structure on the Series 2023A new money bonds. She also discussed the flatness of the yield curve.

Discussion ensued on the balance of the transaction and defeased bonds and whether they are being tendered. Rodney Oliver explained various improvements being made by the VPA projects. Doug Sbertoli presented the Resolution.

Chairman Richardson asked for a motion to approve the Resolution. Commissioner Burns moved the Resolution be approved. Mr. King seconded, and the motion was carried unanimously.

Resolution Approving the Plan of Finance for the Issuance by the Virginia College Building Authority (“VCBA”) of its Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2023A and Educational Facilities Revenue Refunding Bonds, Series 2023B Including an Invitation to Tender Bonds.

Leslie English introduced Scott Detar and Geoff Hoyes of Bank of America Securities, Ron Tillett and Sean Ekiert of Raymond James, Anne Curtis and Caroline Perrin of McGuireWoods, underwriters' counsel, Janet Lee and Christine Ilarina participating by phone of PRAG, financial advisors and George Scruggs of Kutak Rock, bond counsel on the transaction. Ms. English presented the Preliminary Financing Summary for the issuance of \$613 million of Virginia College Building Authority, Educational Facilities Revenue Bonds, Series 2023A and \$156 million of Refunding Bonds, Series 2023B.

The proceeds of the 2023A Bonds will be used to finance approximately \$600 million of certain capital projects and acquire \$91.65 million of equipment for public institutions of higher education and pay the costs of issuing the 2023A Bonds. The proceeds of the 2023B Bonds will be used to pay the purchase price for certain outstanding bonds or portions thereof tendered to the Authority pursuant to a tender transaction, to refund certain outstanding bonds or portions thereof and to pay the costs of issuing the 2023B Bonds. The issuance of the 2023B Bonds is subject to market conditions.

The Bonds are secured by funds appropriated by the General Assembly of the Commonwealth of Virginia. The Bonds are scheduled for sale on May 16, 2023 with an anticipated delivery date of June 6, 2023. The Series 2023A Bonds will be amortized up to 20 years with final maturity of 2043. The Series 2023B Bonds will have a final maturity of 2035. Principal will be paid annually on February 1, beginning February 1st 2024 through February 1, 2043 on 2023A Bonds and

February 1, beginning February 1, 2027, and February 1, 2029 through February 2035 for 2023B Bonds, interest paid semi-annually on February 1 and August 1, beginning August 1, 2023. The Bonds maturing on or after February 1, 2034 are subject to optional redemption prior to maturity on or after February 1, 2033 at par. In addition, the Bonds may be subject to certain mandatory sinking fund redemption provisions. The estimated true interest cost as of April 3 was:

Aggregate	3.3108%
Series 2023A	3.4667%
Series 2023B	2.6445%

Ms. English commented on expecting AA+ ratings from Fitch and S&P and Aa1 from Moody's. The underwriters' syndicate is led by BofA Securities as Book-Running Senior Manager/Co-Dealer Manager and Raymond James as Co-Senior Manager and Co-Dealer Manager. Co-Managers include Academy Securities, Goldman Sachs & Co. LLC, Jefferies LLC and Siebert Williams Shank & Co., LLC.

The estimated total savings as of April 3rd on refunded bonds were \$17,896,191 with PV savings of \$13,520,201. It was noted that the Bank of New York Mellon will serve as Trustee. The estimated costs of Issuance are \$464,500, excluding underwriters' discounts and dealer manager fee and expenses.

Scott Detar and Geoff Hoyes provided an overview of the tender financing process wherein the issuer will invite existing bond holders to tender their holdings back to the Authority based on a prescribed price. Several issuers have done this over the last few years. It is driven by the ability to get investors to participate based on the market conditions at the time of the pricing and the tender price.

Discussion ensued regarding the tender of taxable bonds, tender offer period, criterion of assessment, a retail solicitation fee and analysis of fixed spread and fixed price.

George Scruggs from Kutak Rock LLP, bond counsel to the VCBA, reviewed the Resolution.

Chairman Richardson asked for a motion to approve the Resolution. Mr. Carney moved that the Resolution be adopted. Mr. Amin seconded, and the motion carried unanimously.

Resolutions Approving the Plan of Finance for the Issuance and Sale by the Virginia Public School Authority of its School Technology and Security Notes Series XI

Jay Mahone presented the Preliminary Financing Summary for the issuance of \$67,946,000 School Technology and Security Notes Series XI (the "Notes"). The proceeds of the Notes are being used primarily to make grants and establish a computer-based instructional testing system for the Standards of Learning (SOL) and to develop the capability for high-speed Internet connectivity at high schools followed by middle schools followed by elementary schools to help offset the costs associated with the purchase of appropriate security equipment. The Notes are limited obligations of the Authority payable from appropriations by the Virginia General Assembly from the Literary Fund. The Notes are planned to be issued on a competitive basis,

using electronic bidding with a sale date of May 9, 2023 and delivery date on or about May 23, 2023. For efficiency reasons, the two series of Notes are combined into one Note series sale as they have the same security and final maturity. However, each series is authorized under a separate Note Resolution.

The Serial Notes mature annually in years 2024 through 2028, paying current semiannual interest and annual principal and are structured on a level debt service basis. The projected true interest cost was 2.28% as of April 7, but it was noted that with the rise in rates the cost had increased over the last couple of days. It was noted that the estimated costs of issuance is \$208,759 excluding the underwriters' discount.

Mr. Mahone introduced Kristy Choi, PFM Financial Advisors and Anne Curtis Saunders and Caroline Perrin with McGuireWoods, as bond counsel.

Discussion ensued regarding the marketing strategy, sinking funds and the yield curve.

Anne Curtis Saunders reviewed the Resolution to approve the School Educational and Technology Notes and the Resolution to approve the School Security Notes. It was requested that the provision prohibiting the Notes from being subject to redemption prior to maturity be removed. Discussion ensued.

Chairman Richardson asked for a motion to approve the School Educational Technology Notes Resolution. J. P. Carney moved the Resolution be approved. Craig Burns seconded, and the motion as amended was carried unanimously.

Chairman Richardson asked for a motion to approve the School Security Equipment Notes Resolution with the same modification. Randy McCabe moved that the Resolution be adopted. J.P. Carney seconded, and the motion carried.

Board Briefings - None

Staff Reports

Debt

Brad Jones reviewed the Virginia Debt Calendar from April to July 2023 and noted the timing of the various upcoming sales. He also noted that he anticipates a Commonwealth Transportation Board sale will come before the Treasury Board in May for consideration. He noted that there was no leasing activity to report and that as of April 1, the Master Equipment Lease Program balance available was approximately \$35 million and the Virginia Energy Lease Program balance available was approximately \$37 million.

Investments

Neil Boege provided a summary of the investment portfolios and commented on the market.

Primary Liquidity portfolio operating cash account assets declined, generally in line with seasonal trends. Tax refunds have been 47% higher than last year while, in April, tax collections have so far been 30% higher than last year. LGIP portfolio assets declined, also in line with seasonal trends.

In March, the Primary Liquidity portfolio underperformed the benchmark (the 9-month moving average of the 1-Year Treasury Constant) by 35 basis points. On a fiscal year-to-date basis, performance is generally in line with the benchmark but there are number of factors that have contributed to recent underperformance, some of which will likely continue to result in underperformance over the near-term.

Factors that caused recent underperformance include:

- Asset outflows
- Low yielding 'legacy' securities
- and tighter spread differential on spread product maturity rolls.

Dr. Weed asked whether the underperformance was because it is a hold to maturity portfolio? Discussion ensued.

Secretary Cummings asked whether this would impact the budget. Discussion ensued.

The LGIP yield was up 13 basis points, outperforming the benchmark slightly, and the weighted average maturity was stable at 51 days. The LGIP portfolios were in compliance with all standards and guidelines during the month.

Security for Public Deposits

Laura Lingo reviewed the Security for Public Deposits Act Report (SPDA) for the month ending February 28, 2023. Wells Fargo was undercollateralized for the month of February. The bank received a large deposit of more than \$86 million on February 16 and did not pledge additional collateral to cover the increase until February 22. Wells Fargo was undercollateralized by approximately \$70 million. In accordance with the SPDA Opt Out Guidelines, Wells Fargo collateral requirements increased by 5%. SouthState Bank, N.A. is a newly qualified depository. There were no changes in IDC ratings from what was reported last month; IDC 3rd quarter ratings were still being used in February. The Governor's Office approved the amendment process going forward for the SPDA regulations. The final adoption period begins April 24, 2023. The Regulations will be available for public comment in the Regulatory Townhall beginning April 24th and will remain open for 30 days. The closing is May 24, 2023. If there are no significant comments to address, the Regulations will become effective July 1, 2023. Ms. Lingo commented on the reporting compliance statistics undercollateralized and late reporting banks, and the listing of qualified public depositories as of February 2023.

Mr. Amin asked a question on public depositories and increasing support in local banks.

Discussion ensued.

Other Business

The next Treasury Board meeting is scheduled for May 17, 2023.

The meeting adjourned at 10:47 a.m.

Respectfully submitted,

Yvonne Scruggs, Secretary
Commonwealth of Virginia Treasury Board