

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

June 27, 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
Neil Amin
Craig Burns
Douglas Densmore
David Von Moll

Members Absent: James Carney
Lou Mejia

Others Present:

Katie Collins Auditor of Public Accounts
Scott Detar Bank of America Merrill Lynch
Peyton Stroud Christian & Barton
Latosha Johnson Department of Planning & Budget
George Scruggs Kutak Rock, LLP
Christine Parker M&T Bank
James Johnson Optimal Service Group
Brian Moore Optimal Service Group
JoAnne Carter PFM
Kevin Rotty PFM
Kathleen Bowe PFM
Michael Varanao PFM
Liang Shan PFM
Rodney Oliver Virginia Port Authority
Mark Burns Wells Fargo Securities
Rashida Reneau Wells Fargo Securities
Don Ferguson Office of the Attorney General
Stephen Cobb Office of the Attorney General
Janet Aylor Department of the Treasury
Nathan Conquest Department of the Treasury
Leslie English Department of the Treasury
Tracey Edwards Department of the Treasury
Debora Greene Department of the Treasury
Kathy Green Department of the Treasury
Brad Jones Department of the Treasury
James Mahone Department of the Treasury
John Ockerman Department of the Treasury
Kristin Reiter Department of the Treasury
Sandra Stanley Department of the Treasury

David Swynford
 Mike Tutor
 Bill Watt

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Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:03 a.m. She informed the Board that after adoption of the state budget, the state is now AAA stable across the board. This is great news for the state.

Chairwoman Ganeriwala welcomed Deputy Attorney General Stephen Cobb to the meeting and invited him to make brief comments. Deputy Attorney General Cobb thanked the Board for the opportunity to address the Board and briefly discussed his role and responsibilities overseeing the Government Operations and Transactions Unit with the Office of the Attorney General. He recognized Don Ferguson for his support to the Board. Deputy Attorney General Cobb also invited the Board to reach out to him if there is anything that he can do on the Board's behalf.

Chairwoman Ganeriwala asked if there were any changes or revisions to the minutes of the May 16 meeting. There being none, Chairwoman Ganeriwala asked for a vote of approval of the minutes. Mr. Von Moll moved for approval of the minutes. Mr. Burns seconded, and the motion carried unanimously.

Public Comment

None

Action Items

Consideration of a Resolution Approving a Financing Plan for Virginia Port Authority Revenue Refunding Bonds

Janet Aylor reviewed the Preliminary Financing Summary for the issuance of \$60.7 million of Commonwealth Port Fund Revenue Refunding Bonds, Series 2018A.

Ms. Aylor informed the Board that the purpose of the bonds is to refund, defease and redeem at or after the first call date, all or a part of the Commonwealth Port Revenue Bonds, Series 2011 (Non-AMT). The taxable bonds are scheduled to be sold by negotiated sale on July 10, 2018 and have a delivery date of July 26, 2018. The estimated true interest cost as of June 25, 2018 is 4.16% resulting in estimated net present value savings of \$2.37 million or 4.13%.

Discussion ensued.

Ms. Aylor then introduced Rodney Oliver, CFO of the Virginia Port Authority (VPA), who provided an update on current activities at VPA. Mr. Oliver informed the Board that two thirds of VPA's recent large capital lease project is completed and is on schedule and under budget. Governor Northam recently visited the site of the project and is pleased with its progress. Mr. Oliver further reported that the NIT South expansion project is going well.

George Scruggs representing Kutak Rock, LLP, reviewed the Resolution. In response to a question from the Chairwoman, Mr. Scruggs explained that the bonds were being issued on a taxable rather than tax-exempt basis to avoid any future concerns related to the Series 2011 bond proceeds not being expended in a timely manner, due to reasons beyond the control of VPA.

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

Resolution of the Treasury Board Relating to the Tobacco Indemnification and Community Revitalization Endowment

In May, a request was received from the Tobacco Region Revitalization Commission that for the fiscal year June 30, 2018, (i) the Treasury Board pay from the endowment to the fund a sum equal to 4.4% of the endowment value as of February 28, 2018, (ii) that the said payment be made not later than June 30, 2018, and (iii) that the amount so paid not be subject to restrictions. Furthermore, the request authorizes the State Treasurer to receive and approve requests to pay requested amounts from the endowment to the fund on or before June 30 of future years without further approval of the Treasury Board so long as the requested annual amount does not exceed the draws authorized by Section 3.2-3104.

Discussion ensued.

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

Resolution of the Treasury Board of the Commonwealth of Virginia Providing for the Issuance of the Commonwealth of Virginia General Obligation Bonds, Series 2018A

Leslie English presented the Preliminary Financing Summary for the issuance of \$104 million of Commonwealth of Virginia General Obligation Bonds, Series 2018A. The proceeds of the bonds are being used to (i) finance the costs of acquiring, constructing and equipping revenue-producing capital projects at institutions of higher education of the Commonwealth and (ii) pay costs of issuing the bonds. The bonds are scheduled to be sold by competitive bid on July 25, 2018. The estimated true interest cost as of June 26, 2018 is 2.961%. The bonds will be secured by the pledge of net revenues derived from revenue producing capital projects at the applicable institution of higher education and certified as to their sufficiency by the Governor and the full faith and credit of the Commonwealth. The bonds are expected to be delivered on or about August 15.

Peyton Stroud, representing Christian & Barton, LLP, reviewed the Resolution.

Discussion ensued.

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

Staff Reports

Debt Management

Ms. Aylor reviewed the Debt Calendar as of June 1, 2018 and the leasing reports as of May 31, 2018. She informed the Board that \$3 million in leases were provided in May for mostly DGS fleet vehicles. She also informed the Board that \$15 million was used to date under the Master Lease Program leaving a line of credit balance of \$10.1 million. In addition, \$2.8 million was previously provided under the Energy Lease Program and the line of credit balance is \$37.1 million. There were no additional energy contracts in April.

Ms. Aylor reviewed the Final Financing Summary for the issuance \$78.6 million of Virginia College Building Authority Educational Facilities Revenue Bonds, Series 2018A. The proceeds of the Bonds will be used to (i) acquire approximately \$83 million of equipment at public institutions of higher education in the Commonwealth of Virginia, and (ii) pay costs of issuing the Bonds. The Bonds are secured by funds appropriated for such purpose by the General Assembly of the Commonwealth of Virginia. The bonds closed on June 6 and were sold by competitive bidding. Morgan Stanley won the bid with a true interest cost of 2.219%.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits Report for the month ended April 30, 2018. Ms. Reiter reported that no banks were under collateralized for the month. There was one merger of two pooled qualified public depositories. Citizens National Bank merged into Old Point National Bank. Citizens National Bank was a small community bank located in Windsor Virginia with deposits of \$40 million. With the merger, Old Point National Bank will have assets of approximately \$1 billion and 19 branches throughout the Tidewater area. Chain Bridge Bank withdrew from the SPDA Program. To re-enter the Program, Chain Bridge will have to execute a new public deposit security agreement with the Treasury Board. Ms. Reiter noted that the IDC ratings have not been updated from what was reported last month using IDC's 4th Quarter 2017 report. First quarter 2018 ratings will be provided next month.

State Non-Arbitrage Program

Michael Varanao provided an update on current market themes. He reported that it is unknown what will happen with the trade issue. He also discussed the opinions of Federal Reserve members. He then provided a portfolio overview. The net yield of the fund as of June 26 was 2.14%. Kathleen Bowe of PFM reviewed the SNAP report as of May 31, 2018. The fund's assets were valued at \$4.1 billion. This is the first time this year that we have reached this mark. The monthly yield was 2.04%, twelve basis points higher than the month prior. The weighted average maturity of the fund was 32 days.

Discussion ensued.

Investments

John Ockerman reviewed the Investment reports for the month ended June 2018. Treasuries declined in June between the 1YR & 30YR on the yield curve. There were significant tax revenues in June, which is a high point for the General Account. Also, spreads on credit widened, which provided a lot of opportunity for the General Account. The General Account portfolio was \$7 billion. The average yield

on the Primary Liquidity portion of the General Account was 1.87%, up nine basis points from the month prior.

Mr. Ockerman reported that Treasury worked with Optimal to terminate its contract with Goldman Sachs. Goldman Sachs had been an underperforming manager. Treasury conducted an exhaustive search for a new manager, but ultimately decided to split the account between Income Research & Management and Wellington Management Company. The transfer to Income Research & Management and Wellington Management Company will occur on Friday, June 29. The savings from moving from Goldman Sachs to Income Research & Management and Wellington Management Company is approximately \$112,000 in management fees per year.

The Extended Duration portion of the portfolio had a yield to maturity of 3.06%. This resulted in the composite yield being 2.08% for the month, up five basis points. Mr. Ockerman then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of May. The LGIP portfolio was roughly the same as the month prior and is valued at \$3.9 billion. The average yield on the portfolio was 1.96%, up six basis points from the month prior. The average maturity was 33 days, down 4 days from the previous month.

Discussion ensued.

Mr. Ockerman reviewed the LGIP Extended Maturity portfolio. The LGIP Extended Maturity portfolio was in compliance for all measures for the month of May. The net asset value yield to maturity was 1.97%, up nine basis point from the month prior. The average duration was 0.78 years. The number of active accounts increased to 17 from 15.

Other Business

Chairwoman Ganeriwala stated that the next meeting of Treasury Board would be held on July 25, 2018. The meeting adjourned at 10:08 a.m.

Respectfully submitted,

Vernita Boone, Secretary
Commonwealth of Virginia Treasury Board