TREASURY BOARD
COMMONWEALTH OF VIRGINIA
February 19, 2020
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	
	Douglas Densmore	
	Luis Mejia	
	David Von Moll	
Members Absent:	Neil Amin	
	James Carney	
Others Present:	Don Ferguson	Office of the Attorney General
	Katie Collins	Auditor of Public Accounts
	Markita Heard	JP Morgan
	Fred Vosburgh	JP Morgan
	Eric Ballou	Kaufman and Canoles
	Ben Wills	Kaufman and Canoles
	James Johnson	The Optimal Service Group
	Bryce Lee	The Optimal Service Group
	Karen Logan	The Optimal Service Group
	Nelson Bush	PFM Asset Management LLC
	Patrick Dixon	Wells Fargo
	Janet Aylor	Department of the Treasury
	David Back	Department of the Treasury
	Neil Boege	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Leslie English	Department of the Treasury
	Kathy Foote	Department of the Treasury
	Bradley Jones	Department of the Treasury
	Laura Lingo	Department of the Treasury
	James Mahone	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
	Michael Tutor	Department of the Treasury

Call to Order and Approval of Minutes

Chairwoman Ganeriwala called the meeting to order at 9:02 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the December 18 meeting minutes. Mr. Burns moved for approval of the minutes. Mr. Von Moll seconded and the motion carried.

Mr. Densmore abstained.

Public Comment

None

Action Items

Resolution Approving the Plan of Finance for the Issuance by the Virginia Public Building Authority of its Public Facilities Revenue and Refunding Bonds

Bradley Jones presented the Preliminary Financing Summary for the issuance of $195.3 million (Series 2020A) and $100.3 million (2020C Taxable) of Public Facilities Revenue Bonds and the issuance of approximately $198.7 million (Series 2020B) and $9.8 million (Series 2020D Taxable) Public Facilities Revenue Refunding Bonds. The proceeds of the 2020 Bonds will be used to finance various public facilities, finance certain grants and regional and local jail and juvenile detention center projects, refund certain maturities of Bonds, and pay for issuance of the 2020 Bonds. The Bonds will likely be sold competitively on March 10, 2020 and have a delivery date of April 14, 2020 (on or about). The true interest costs are:

	Estimated TIC (February 18, 2020)
2020A All-in TIC	2.24%
2020B All-in TIC	1.14%
2020C All-in TIC	2.63%
2020D All-in TIC	2.14%
Combined All-in TIC	2.04%

Discussion ensued.

Eric Ballou, of Kaufman and Canoles and Bond Counsel to the Virginia Public Building Authority, reviewed the Resolution. Mr. Densmore suggested an amendment to paragraph number 1 on page two of the Treasury Board Resolution that clarifies the plan of financing for the issuance of the bonds and their terms and structure as outlined in the Preliminary Official Statement and the Financing Summary presented at this meeting may be revised by the Authority and Treasury staff, consistent with this Resolution, subject to final approval by the State Treasurer. The amended Resolution is attached.

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

Board Briefings

Optimal Services Group of Wells Fargo Advisors Briefing on the 4th Quarter Performance Reports for the Extended Duration Credit Portfolio and TICR Investment Portfolio

Bryce Lee and Karen Logan briefed the Board on the General Account External Managers' investment performance for the 4th quarter of 2019 and the Quarterly Investment Manager Performance of TICR Endowment for taxable and tax-exempt portfolios for the 4th quarter of 2019.

Mr. Lee briefed the Board on the General Account extended duration portfolio. The portfolio gained 0.3% during the 4th quarter, which underperformed the benchmark by 0.1%. Mr. Lee briefed the Board on the General Account External Manager's portfolio. The portfolio was valued at $1.37 billion and the portfolio return fiscal year-to-date was 1.8% net of fees, trailing the benchmark return of 1.9%.

Mr. Lee provided an update on the Rebalancing Project. Optimal was able to negotiate existing contracts with managers on behalf of the state. The negotiation resulted in lower external manager fees and would have provided $86,000/year in manager fee savings if no new assets were added to the EDCP portfolio. Applying the lower fees to the rebalanced assets will result in a total savings of approximately $260,000/year.

Ms. Logan briefed the Board on the TICR tax-exempt and TICR taxable portfolios. The TICR taxable portfolio was valued at $212 million and advanced 0.2% compared to the benchmark's gain of 0.4% during the 4th quarter. The TICR tax-exempt portfolio gained 0.7% during the 4th quarter, which underperformed the benchmark by 0.1%. The TICR tax-exempt portfolio was valued at $191 million.

Mr. Lee provided additional information on the Collateralized Loan Obligation (CLO) in follow-up to discussion from a previous meeting. Optimal polled each of its managers and determined that there is no CLO exposure in their portfolios. Mr. Lee stated that it is probably not an appropriate investment as viewed by the managers. Mr. Lee provided manager summaries and a fact sheet on CLO's.

Staff Reports

Debt Management

Janet Aylor reviewed the Debt Calendar as of February 1, 2020 and the leasing reports as of January 21, 2020. Ms. Aylor also informed the Board that new leases for $2.48 million were provided in January for vehicles and equipment. She also informed the Board that $9.8 million was used to date under the Master Lease Program leaving a line of credit balance of $25.4 million. There was no new activity in the Energy Lease Program.

Security for Public Deposits

Kristin Reiter reviewed the SPDA Report for the month ended December 31, 2019. Ms. Reiter reported that no banks were under collateralized in December. There were no changes in the IDC rankings in December. Two banks (New Horizon Bank and Bank of Fincastle) were ranked below average. There were three bank mergers of qualified depositories in December:

- SunTrust Bank merged into BB&T
- Virginia Community Bank merged into Blue Ridge Bank, N.A.
- Highlands Union Bank merged into First Community Bank

Together, SunTrust Bank and BB&T will become the public depository holding the largest percentage of public deposit balances at 21%.

Mr. Densmore expressed his concern about the consolidation of public depositories and its impact on the SPDA Program. Discussion ensued. Ms. Reiter indicated that staff are in the process of reviewing the SPDA Regulations for possible amendment and analyzing the liquidity and marketability of eligible collateral types currently accepted under the Program. The possibility of conducting another stress test of the collateral pool was suggested.

Ms. Reiter then reviewed the quarterly statistics reports. As of December 31, 2019, 88 public depositories held public deposit balances (net of FDIC) of $7.8 billion; $5 billion of these deposits were held by 28 opt-out depositories. A total of $2.8 billion was held by 60 pooled depositories. The three public depositories holding the largest public deposit balances held $3.7 billion or 47% of total public deposit balances net of FDIC.

Ms. Reiter also provided an update on this year's SPDA legislation. Legislation was introduced this General Assembly Session to modify the SPDA to allow opt-out depositories a two-day grace period for pledging sufficient collateral. The Treasury Board had removed the two-day grace period from the SPDA Opt-out Guidelines in October 2019, based on recommendations from Treasury staff, as the grace period conflicted with language in the Code requiring collateralization at the time public deposits are received. The proposed legislation was carried over to next year. Depositories were concerned that in extenuating circumstances, such as late-day deposits, they would not be able to pledge collateral by end of day and did not want to be penalized for circumstances beyond their control. Treasury staff will work with the banking community to address these concerns.

Finally, Ms. Reiter provided an update on this year's legislation regarding credit unions. Legislation was introduced to allow credit unions to hold public deposits. In addition, language was added to the Governor's Budget Bill establishing a pilot program for this purpose. The legislation was carried over to next Session. The pilot program language was stricken from the Budget Bill during crossover.

State Non-Arbitrage Program

Mr. Bush reviewed the SNAP report as of January 31, 2020. The fund's assets were valued at $4.9 billion. The monthly distribution yield was 1.81%, decreasing from December's yield of 1.84%. The weighted average maturity of the fund was 37 days.

Mr. Bush reported on HB1587, which allows ratings by Fitch Ratings to be used for determining whether certain investments are permissible for public funds. Under current law, only ratings by Standard & Poor's or Moody's Investors Service may be used.

Discussion ensued.

Investments

Neil Boege reviewed the Investment reports for the month ended January 31, 2020. The general account composite yield to maturity was 1.89%, declining 8 basis points from December, outperforming the one year Treasury benchmark by 36 bps.

Mr. Boege then reported on the LGIP portfolio, which was in compliance for all measures for the month of January and was valued at $6.5 billion. The average yield on the portfolio was 1.76%, down from December's average yield of 1.78%. The average maturity was 50 days, no change from the previous month. Mr. Boege then reviewed the LGIP Extended Maturity portfolio. The net asset value yield to maturity was 2.00%, down from December's net asset value yield to maturity of 2.07%. The average duration was one year.

Other Business

Chairwoman Ganeriwala stated that the next Treasury Board meeting is scheduled for March 18, 2020. The meeting adjourned at 10:00 AM.

Respectfully submitted,

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Vernita Boone, Secretary
Commonwealth of Virginia Treasury Board

RESOLUTION APPROVING PLAN OF FINANCE FOR THE ISSUANCE BY THE VIRGINIA PUBLIC BUILDING AUTHORITY OF ITS PUBLIC FACILITIES REVENUE [AND REFUNDING] BONDS, AND DELEGATING AUTHORITY TO THE STATE TREASURER TO APPROVE THE FINAL TERMS AND STRUCTURE OF THE BONDS

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

WHEREAS, the Virginia Public Building Authority Act of 1981, as amended, authorizes the Virginia Public Building Authority (the "Authority") to finance certain projects authorized by the General Assembly from time to time for the use of or that benefit the Commonwealth, its agencies and instrumentalities, and to refund bonds previously issued by the Authority;

WHEREAS, under the terms of a Payment Agreement, dated as of April 15, 1997 (the "Payment Agreement"), between the Authority and the Treasury Board, the debt service on the Bonds (as defined herein), and all other bonds of the Authority issued under the Master Indenture, as defined therein, will be paid primarily from revenues and receipts derived from general fund appropriations made by the General Assembly to the Treasury Board and transferred to the Authority under the terms of the Payment Agreement;

WHEREAS, by resolution adopted on February 13, 2020, the Authority has determined to issue its Public Facilities Revenue [and Refunding] Bonds, in one or more series or sub-series with appropriate year and series designations and from time to time (collectively, the "Bonds"), to (i) finance the acquisition, construction, improvement, rehabilitation, furnishing and equipping of various public facilities for use by the Commonwealth and its agencies, (ii) finance the Commonwealth's payment of the costs of certain grants and of regional and local jail and juvenile detention facility projects (clauses (i) and (ii) are collectively referred to in this Resolution as the "Projects"), (iii) if and when market conditions warrant, refund certain maturities of bonds previously issued by the Authority (any or all of such previously issued bonds are "Prior Bonds"), and (iv) pay costs of issuance of the Bonds, or any combination of the foregoing (Bonds issued to fund the purposes of clauses (i), (ii) and (iv) are referred to in this Resolution as "New Money Bonds" and Bonds issued for the purposes in clauses (iii) and (iv) are referred to in this Resolution as "Refunding Bonds");

WHEREAS, a determination will be made closer to the time the Authority enters into the capital markets 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 advisor; and

WHEREAS, the plan of finance proposed by the Authority and the proposed terms and structure of the Bonds are described in a draft of the Preliminary Official Statement for the Bonds (the "Preliminary Official Statement") and a Preliminary Financing Summary (the "Financing Summary"), attached hereto as ***Attachment A***, copies of which have been presented at this meeting to the members of the Treasury Board.

NOW, THEREFORE, BE IT RESOLVED BY THE TREASURY BOARD OF THE COMMONWEALTH OF VIRGINIA THAT:

1. The plan of financing proposed by the Authority for the issuance of the Bonds and their terms and structure, as outlined in the Preliminary Official Statement and the Financing Summary presented at this meeting, as may be revised by the Authority and Treasury staff, consistent with this resolution, including without limitation, to reflect the offering and sale of one or more series of Bonds pursuant to negotiated sale or private placement, is hereby approved, subject to final approval by the State Treasurer of the Commonwealth (the "State Treasurer") pursuant to Section 2 of this Resolution.

2. Pursuant to Section 2.2-2416(9) of the Code, the Treasury Board deems it proper and delegates to the State Treasurer the authority to act for and on behalf of the Treasury Board and to take such action as she, in her sole discretion, may deem necessary and appropriate in connection with (i) the issuance and sale of the Bonds from time to time by the Authority, including approval of the manner of sale of the Bonds in one or more series through either a competitive or negotiated sale or a combination of both and selection of Underwriters and the issuance of one or more series of Bonds the interest on which will be includable in gross income of the holders thereof for federal tax purposes, if applicable, (ii) the determination based on capital market, financial and economic conditions whether to proceed with the refunding of any Prior Bonds from time to time and in furtherance thereof, to determine which outstanding bonds previously issued under the Master Indenture are to be Prior Bonds, the related redemption dates and the specific maturities of Prior Bonds to be refunded, if any, provided that the refunding of Prior Bonds achieves the overall debt service savings set forth below, and (iii) the approval of the Authority's issuance of the Bonds, the plan of finance for the Bonds as set forth in the Financing Summary and the final terms and structure of the Bonds; *provided, however,* that:

(a) (i) the aggregate stated principal amount of the New Money Bonds shall not exceed $380,000,000, whether issued as federally tax-exempt bonds, taxable bonds or a combination of both;

(ii) the final stated maturity of the New Money Bonds is not later than August 1, 2040;

(iii) the "true" interest cost of any series of the New Money Bonds shall not exceed (A) 3.75% for New Money Bonds issued on a taxable basis, or (B) 3.00% for New Money Bonds issued on a tax-exempt basis, taking into account original issue discount or premium, if any;

(iv) if sold through a competitive sale, the New Money Bonds shall be sold at a price not less than (A) 99.00% of the aggregate principal amount thereof for the New Money Bonds issued on a taxable basis, or (B) 98.00% of the aggregate principal amount thereof for the New Money Bonds issued on a tax-exempt basis; and

(v) if sold through a negotiated sale, the New Money Bonds shall not be sold to the Underwriters with an underwriter's discount in excess of 1.0% of their aggregate principal amount; and

(b) (i) the aggregate stated principal amount of any Refunding Bonds shall not exceed $250,000,000, whether issued as federally tax-exempt bonds, taxable bonds or a combination of both;

(ii) the final stated maturity of any Refunding Bonds shall not be later than the final maturity of the related Prior Bonds;

(iii) the "true" interest cost of any series of Refunding Bonds shall not exceed (A) 3.25% for the Refunding Bonds issued on a taxable basis, or (B) 2.25% for Refunding Bonds issued on a tax-exempt basis, taking into account original issue discount or premium, if any;

(iv) if sold through a competitive sale, any Refunding Bonds shall be sold at a price not less than (A) 99.00% of the aggregate principal amount thereof for the Refunding Bonds issued on a taxable basis, or (B) 98.00% of the aggregate principal amount thereof for the Refunding Bonds issued on a tax-exempt basis;

(v) if sold through a negotiated sale, any Refunding Bonds shall not be sold to the Underwriters with an underwriter's discount in excess of 1.0% of their aggregate principal amount; and

(vi) the issuance of the Refunding Bonds shall achieve an overall net present value savings of at least 3% of the aggregate principal amount of the related Prior Bonds; provided, however, that for purposes of this parameter, the Refunded Bonds shall not include the Authority's $50,000,000 Variable Rate Public Facilities Revenue Bonds, Series 2005D.

3. The Treasury Board ratifies and confirms the Payment Agreement.

4. The State Treasurer is authorized to take such further actions as necessary to carry out the purposes and intent of this Resolution, including the approval and execution of a continuing disclosure agreement in respect of the Commonwealth's obligations as an "obligated person," within the meaning of SEC Rule 15c2-12, with respect to the Bonds.

5. This Resolution shall take effect immediately upon its 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 February 19, 2020, at which a quorum was present and acting throughout. Such Resolution has not been repealed, revoked, rescinded or amended and is in full force and effect on the date hereof.

Dated: February19, 2020

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Chairman, Treasury Board of the

Commonwealth of Virginia