

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

April 13, 2022

9:00 a.m.

Treasury Board Room – 3rd Floor

James Monroe Building

101 N. 14th Street, 3rd Floor

Richmond, Virginia

Members Present: Manju S. Ganeriwala, Chairwoman
Neil Amin
James Carney
David Von Moll

Members Absent: Craig Burns

Meeting Guests:	Lauren Figg	Auditor of Public Accounts
	Scott Detar	Bank of America
	Kevin Larkin	Bank of America
	Don Ferguson	Office of the Attorney General
	Andrea Peeks	House Appropriations Staff
	Markita Heard	JP Morgan Chase
	George Scruggs	Kutak Rock
	Anne Curtis Saunders	McGuire Woods
	TW Bruno	McGuire Woods
	Bryce Lee	Optimal Service Group
	Karen Logan	Optimal Service Group
	Emily Grimes	Department of Planning and Budget
	Nelson Bush	PFM Asset Management LLC
	Christine Ilarina	PRAG
	Janet Lee	PRAG
	Steve Peyser	PRAG
	Sean Ekiert	Raymond James
	Ron Tillett	Raymond James
	June Jennings	Secretary of Finance
	Adam Rosatelli	Senate Finance and Appropriations Committee
	David Cohn	Department of the Treasury
	Leslie English	Department of the Treasury
	Brad Jones	Department of the Treasury
	Laura Lingo	Department of the Treasury
	Jay Mahone	Department of the Treasury
	John Ockerman	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	David Swynford	Department of the Treasury
	Stuart Williams	Department of the Treasury

Chairwoman Ganeriwala welcomed and introduced David Cohn, Virginia Management Fellow (VMF), who is assigned to the Department of the Treasury. Mr. Cohn will be working with Treasury

in the Division of Cash Management and Investments over the next nine months. Mr. Cohn recently completed his first VMF nine-month rotation with the Department of Planning and Budget. Mr. Cohn is a Harvard graduate with a degree in Economics and a minor in Government. Mr. Cohn thanked Chairwoman Ganeriwala for the warm welcome.

David Von Moll announced to the Board that after almost 44 years of service with the Commonwealth, he will be leaving as State Comptroller effective April 15. Mr. Von Moll expressed his appreciation to the Board. He introduced Randy McCabe who has been appointed as State Comptroller. Chairwoman Ganeriwala thanked Mr. Von Moll for his service to the Board and the Commonwealth and congratulated Mr. McCabe on his appointment.

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed the Board members and called the meeting to order at 9:05 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the minutes of the March 16, 2022 meeting. No changes were noted. Chairwoman Ganeriwala asked for a vote of approval of the minutes. James Carney moved for approval, Mr. Von Moll seconded, and the motion carried unanimously.

Public Comment

None

Action Items

Resolution Approving the Plan of Finance for the Issuance and Sale of Virginia College Building Authority (VCBA) Educational Facilities Revenue and Federally Taxable Revenue Bonds (21st Century College and Equipment Programs), Series 2022A and 2022B

Leslie English presented the Preliminary Financing Summary for the issuance of \$597.4 million of Virginia College Building Authority, Educational Facilities Revenue Bonds, Series 2022A and Educational Facilities Federally Taxable Revenue Bonds, Series 2022B. The proceeds of the 2022 Bonds are being used to (i) finance certain capital projects and acquire equipment for public institutions of higher education in the Commonwealth and (ii) pay the costs of issuing the 2022 Bonds. The Bonds are scheduled for negotiated sale on May 12, 2022 with an anticipated delivery date of June 1, 2022. The estimated true interest cost as of April 12, 2022 is:

Aggregate	3.3146%
Series 2022A	3.3028%
Series 2022B	3.59%

Given the VCBA's plan to issue the 2022 Bonds through a negotiated sale rather than the traditional competitive bid process, Leslie introduced the financing team and asked Janet Lee of PRAG to provide the Board with a market overview and a review of the bond structures being considered. Discussion ensued.

James Carney asked how the underwriters' compensation was being set. Steve Peyser of PRAG responded that the underwriters will get a fixed percentage with the book running senior manager of each series carrying the highest liability and compensation.

Mr. Carney asked if in light of rising interest rates if any consideration had been given to the maximum interest rate parameter contained in the resolution being changed to a spread over benchmark rates. Bradley Jones responded that the Treasury Board resolution mirrors the VCBA resolution previously adopted so it would be a challenge to change the Treasury Board's resolution since any flexibility gained by the change would still be limited by the prior VCBA resolution. Chairwoman Ganeriwala stated that Treasury can look into this in the future. Neil Amin commented that we should keep in mind that when rates come down, spreads will change again.

Mr. Amin commented that the proposed Preliminary Official Statement discusses the Commonwealth's budget status. He asked if our current state of the budget affects pricing. Chairwoman Ganeriwala responded that it does not because we still have some time to get the budget adopted before the end of the fiscal year. Ms. Lee further commented that historically Virginia adopts budgets on time. In addition, ratings are expected back this month and no concerns had been raised in this regard. Mr. Jones commented that the payment dates are structured in February and August of each year to ensure sufficient time is allowed for a budget to be adopted before the first payment is due in the fiscal year.

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

Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Von Moll 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 School Educational and Technology Notes Series XXII and Resolution Approving the Plan of Finance for the Issuance and Sale of School Security Notes Series X by the Virginia Public School Authority (VPSA)

Jay Mahone presented the Preliminary Financing Summary for the issuance of \$68.1 million of School Technology and Security Notes. The proceeds of the Notes are being used primarily to make grants to establish a computer-based instructional and testing system for the Standards of Learning and to develop the capability for high-speed Internet connectivity. The remainder of the proceeds will be used as grants to help offset the costs associated with the purchase of authorized security equipment. The Notes are scheduled for competitive sale through an auction process on May 3, 2022, with a closing on or about May 24, 2022. The projected true interest cost as of April 12, 2022 is 2.38%.

Mr. Mahone indicated that the MuniAuction electronic bidding platform from Grant Street Group will be used for this financing. Chairwoman Ganeriwala asked members of the Board to notify her of their interest in viewing the electronic auction process.

Mr. Carney questioned if there is a restriction on the investment of bond proceeds and any monies that might be set aside for defeasance at a later date. Mr. Mahone indicated that the language in the Resolution refers to permitted investments within the Code of Virginia. Mr. Mahone further indicated that proceeds will be deposited into SNAP, which is an allowable investment. Anne Curtis Saunders confirmed that the Board Resolution does recite the investment of the funds.

Ms. Saunders, representing McGuire Woods LLP, reviewed the School Technology and Security Notes Resolutions being considered by the Treasury Board.

Discussion ensued. Chairwoman Ganeriwala suggested that in the future, staff look into combining Resolutions for the VPSA School Educational and Technology Notes and School Security Notes Programs.

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

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

Motion to Procure a Line of Credit for the Master Equipment Leasing Program

Ms. English reviewed the motion to procure a line of credit for the Master Equipment Leasing Program. The current contract is with Bank of America Public Capital Corp. and was awarded in the amount of \$60 million effective August 1, 2020 to July 31, 2021. In June 2021, Treasury exercised the option to extend the contract an additional 12 months. Effective August 1, 2021 through June 31, 2022, Treasury increased the line of credit for an additional \$20 million to \$80 million. Currently, no extensions remain on the contract, thus the contract expires on July 31, 2022. If approved, Treasury is planning to issue a solicitation by mid-May 2022 with bids due mid-June 2022 to ensure a new line of credit is in place at the expiration of the current contract. The motion allows Treasury to move forward with the procurement of a new line of credit and delegates execution of a new Master Lease Agreement to the State Treasurer.

Discussion ensued. Mr. Carney asked if Bank of America Public Capital Corp. is anticipated to participate in this solicitation. Kevin Larkin of Bank of America confirmed that the bank will participate in the solicitation.

Chairwoman Ganeriwala asked for a motion to procure a line of credit for the Master Equipment Leasing Program. Mr. Von Moll moved approval of the motion, Mr. Carney seconded, and the motion carried unanimously.

Motion to Approve the Amended General Account Investment Guidelines Statement of Investment Policies and Goals

Chairwoman Ganeriwala provided context on The Optimal Service Group (OSG) and Treasury's review of the Primary Liquidity Pool benchmark. Bryce Lee of OSG provided a summary of what historically has been the benchmark and discussed their recommendation going forward. OSG recommends modifying the current benchmark of the one-year Constant Treasury to a rolling nine-month average of the one-year Constant Treasury. Using the rolling nine-month average addresses the spot rate nature of the index relative to the portfolio. This new modified index improves the reasonableness and fit of the index. The investment guidelines continue to have a 10 basis point (0.10%) hurdle on top of the benchmark.

Mr. Carney questioned the turnover rate of the portfolio to which Mr. Lee stated about nine months. Stuart Williams shared that it has been as low as six months or high as 12 months. Mr. Amin asked if policy specifies the timeframe. Mr. Lee responded that policy states that it has to be one year or less, but it is at Treasury's discretion. Discussion ensued.

Mr. Lee shared that OSG looked at other states (nine) in their review. Mr. Carney asked how many states did not have a benchmark to which Mr. Williams responded three states did not have a benchmark. Mr. Carney asked what the purpose of the benchmark is. Mr. Lee responded that the purpose of the benchmark for Treasury is to serve as a standard of measure. It does not change how Treasury runs its portfolio or make investments. Mr. Williams shared that it serves as a target. Discussion ensued.

Mr. Amin asked about the return on the portfolio versus the return on holding it for one-year Constant Treasury for the same time period. Mr. Lee answered that historically, Virginia has not tracked the overall return. Technology needs to be updated in this regard and the cost to do so is quite expensive. Discussion ensued.

Mr. Williams presented the substantive change to the investment guidelines that is being proposed effective July 1, 2022. Reporting will be changed accordingly. Comparisons will be done for the past couple of years.

Chairwoman Ganeriwala thanked Deputy Treasurer David Swynford and the rest of the team for their work on this matter.

Chairwoman Ganeriwala asked for a motion to approve the updated guidelines with the additional two changes presented. Mr. Von Moll moved it; Mr. Amin seconded and the motion carried unanimously.

Staff Reports

Debt Management

Mr. Jones informed the Board that during the week of March 21, 2022, notice was provided to George Mason University that under the Board's delegated authority, the State Treasurer provided approval of the transaction that was presented at the March 16, 2022 Treasury Board meeting. He also provided a brief summary of the results of the Virginia Public Building Authority bonds that were sold on April 5, 2022 and he noted that a Final Financing Summary will be included in the next Board package.

Mr. Jones then reviewed the Debt Calendar as of April 1, 2022.

Mr. Jones also reviewed the leasing reports as of March 31, 2022. There was no activity with the Master Lease Program. There is approximately \$56 million available on the current line of credit. There was no activity with the Energy Lease Program. There is approximately \$38.5 million available on the current line of credit.

Security for Public Deposits

Laura Lingo reviewed the Security for Public Deposits Report (SPDA) for the month ended February 28, 2022. No depositories were undercollateralized for the month of February. Trustar Bank became a new pooled depository in February. IDC ratings were received and updated in February. We are now using 4th quarter IDC ratings. Trustar Bank qualified public depository was ranked below average during the month of February. Virginia National Bank is no longer considered below average. Ms. Lingo also reviewed the monthly compliance statistics reports.

Ms. Lingo provided an update on the SPDA regulations review process. It is currently in the second phase. The 60-day comment period ends April 15, 2022. To date, only two comments have been received. The next step is to review and respond to all comments and determine if additional changes are needed. The final regulations must be submitted to the Virginia Town Hall in 180 days (mid-October).

State Non-Arbitrage Program

Nelson Bush of PFM Asset Management reviewed the SNAP report as of March 31, 2022. Mr. Bush provided market commentary. Effective April 12, 2022, the consumer price index is at 8.5%. Effective April 13, 2022, the producer price index is at 11.2%. Fed governors are talking of potential 50 basis points moves this year. Some market participants are worried about a recession. The fund's assets were valued at \$4.9 billion. The monthly yield was 0.3055%, higher from February's yield of 0.1007%. The weighted average maturity of the fund was 42 days. There were \$117 million in new bond issuances for the month.

Investments

John Ockerman provided a summary of the monthly investments. In mid-March, the FOMC raised policy rates to a range of 0.25% to 0.50% as had been widely expected. Also, Mr. Ockerman shared that securities lending contributed \$435,728 to income for the month, which is one of highest, if not the highest in the history of the program. The General Account portfolio was valued at \$22.3 billion. The average yield on the Primary Liquidity portion of the General Account was 0.42%; the month prior was 0.32%. The Extended Duration portion of the portfolio had a yield to maturity of 2.86%; the month prior was 2.19%.

Mr. Ockerman then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of March. The LGIP portfolio was valued at \$8.0 billion. The average gross yield on the portfolio was 0.28%; the month prior was 0.17%. The average maturity declined to 37 days, from the previous month of 41 days.

Finally, Mr. Ockerman 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 gross yield to maturity increased to 0.43% from the previous month of 0.38%. The average duration declined to 0.84 years, from the previous month of 0.90 years.

Other Business

Chairwoman Ganeriwala informed the Board that Board Secretary Vernita Boone has accepted the position of Public Finance Analyst with the Division of Debt Management. Ms. Boone will continue serving as Special Assistant to the State Treasurer until the State Treasurer's departure from state government at the end of May. Chairwoman Ganeriwala thanked Ms. Boone for serving as her Special Assistant and as Secretary to the Board.

Next, Chairwoman Ganeriwala shared that the Treasury Board is scheduled to meet on May 11; however, to date there are no action items. Chairwoman Ganeriwala will notify the Board members of the need for a May 11 meeting.

Members of the Board expressed their appreciation to Chairwoman Ganeriwala for her faithful service to and leadership of the Treasury Board and wished her well in her future endeavors.

The meeting adjourned at 11:02 a.m.

Respectfully submitted,

Vernita Boone, Secretary
Commonwealth of Virginia Treasury Board