

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

May 17, 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:	John Markowitz	Office of the Governor
	Don Ferguson	Office of the Attorney General
	Scott Fleming	PFM Asset Management LLC
	Nelson Bush	PFM Asset Management LLC
	Kevin Rotty	PFM Asset Management 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
	Neil Boege	Department of the Treasury
	Jay Mahone	Department of the Treasury
	Laura Lingo	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Vernita Boone	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Julie Fritz	Wells Fargo
	Linda Ginty	Wells Fargo
	Bryce Lee	Optimal Service Group
	Karen Logan	Optimal Service Group
	Ron Tillett	Raymond James
	Sean Ekiert	Raymond James
	Scott Detar	BoFA
	Jorge Rodriguez	BoFA
	Geoff Hoyes	BoFA
	Cameron Swift	BoFA
	Kevin Larkin	BoFA
	George Scruggs	Kutuk Rock, LLP

Markita Heard	J.P. Morgan Chase
Misty Upson	VDOT
Laura Farmer	VDOT
Ty Wellford	Davenport
Kim Hoyt	Bingham
Janet Lee	PRAG (via telephone)
Christine Ilarina	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 April 19, 2023 meeting. Chairman Richardson asked for a vote of approval of the minutes. Charles King moved for approval, Joshua Weed seconded, and the motion carried unanimously.

Public Comment - None

Action Items

Resolution Approving the Plan of Finance for the Issuance by the Commonwealth Transportation Board of its Commonwealth of Virginia Transportation Revenue Bonds, Series 2023 (U.S. Route 58 Corridor Development Program)

Richard Rhodemyre presented the Preliminary Financing Summary for the \$208,550,000 Commonwealth of Virginia Transportation Revenue Bonds Series 2023 (U.S. Route 58 Corridor Development Program). The purpose of the bonds is to finance a portion of the costs of the U.S. Route 58 Corridor Development Program and to pay the costs of issuing the bonds. The bonds are secured by and payable from funds appropriated by the General Assembly from (1) the U.S. Route 58 Corridor Development Fund, (2) to the extent required, revenues legally available in the Transportation Fund Trust, and (3) to the extent required, other legally available funds appropriated by the General Assembly. The anticipated date of sale is June 7, 2023 with a closing date on or about June 22, 2023. The bonds will be structured as serial bonds maturing annually in the years 2024 through 2048 or a combination of serial and term bonds with a maturity no later than 2048. The Bonds maturing on or before May 15, 2033 are not subject to optional redemption. The Bonds maturing on or after May 15, 2034 will be subject to redemption before maturity at the Transportation Board's option on and after May 15, 2033. Interest on the bonds begins on November 15, 2023 and occurs semiannually thereafter on each May 15 and November 15. The principal payment dates begin on May 15, 2024 and occur annually thereafter on each May 15 with the final maturity on May 15, 2048.

Mr. Rhodemyre commented on expecting AA+ ratings from Fitch and S&P and Aa1 from Moody's. Mr. Rhodemyre introduced the team on this transaction: Janet Lee and Christine Ilarina, with Public Resources Advisory Group, financial advisors who joined by telephone, George Scruggs, bond counsel with Kutak Rock LLP, and Misty Upson and Laura Farmer with the Virginia Department of Transportation. The Trustee is U.S. Bank Trust Company. The Bonds

are scheduled to price competitively with an estimated all-in true interest cost of 3.7968% as of the date of the preliminary financing summary. Mr. Rhodemyre informed the Board that as of the day of the meeting, the updated true interest cost was estimated at 3.8861%. Rates were up 8 basis points. The estimated cost of issuance (excluding underwriters' discount) total \$297,750.

Laura Farmer gave background information on the Route 58 Corridor Development Program.

Mr. Carney asked a question about considering bullet structures with call provisions and the factors driving the competitive bid. Discussion ensued.

George Scruggs of Kutak Rock reviewed the Resolution.

Chairman Richardson asked for a motion to approve the Resolution. Mr. Carney moved that the Resolution be approved. Neil Amin and Randy McCabe seconded, the Motion carried unanimously.

Motion to Procure a Line of Credit for the Energy Leasing Program

Leslie English presented a motion to take all necessary steps to procure a line of credit for the Energy Leasing Program and to award a contract and to execute the Master Lease Agreement on behalf of the Treasury Board. The existing contract was awarded to Bank of America Public Capital Corporation in the amount of \$40 million for one-year period with an option to extend the contract for an additional one-year period. Treasury Board exercised the option to extend the contract for an additional one-year period which is set to expire on September 30, 2023. At the end of the extension, there are no more renewals. The motion will allow the Treasurer to advertise and solicit bids through a Request for Proposal to procure a new line of credit for the program.

Mr. Carney asked a question regarding increasing the size of the contract and exploring different financing options with the bank. Discussion ensued.

Mr. Amin asked a question regarding a line of credit fee. Discussion ensued.

Chairman Richardson asked that the motion be approved. Craig Burns moved the Motion be approved. Mr. Carney seconded, the Motion carried unanimously.

Board Briefing

Virginia College Building Authority Series 2023 Bond Sale and Tender Results

Brad Jones briefed the Board on the new money bonds and provided commentary on the taxable and tax-exempt bonds tendered and the advanced refunding. Mr. Jones introduced the team: Janet Lee and Christine Ilarina, with Public Resources Advisory Group, financial advisors to the VCBA who joined by telephone, Scott Detar and Jorge Rodriguez of Bank of America Securities, Inc., Book-Running Senior Manager/Co-Dealer Manager, Raymond James, Co-Senior Manager/Co-Dealer Manager and George Scruggs, with Kutak Rock LLP, bond counsel

to the VCBA. Scott Detar and Jorge Rodriguez of Bank of America Securities, Inc. presented the transaction summary, financing timeline and the tender results.

Mr. Carney asked a question whether the bonds that were not tendered but were included in the refunding was known to the investors and concerns of liquidity. Discussion ensued.

Mr. Markowitz asked a question regarding the average tendered premium. Discussion ensued.

Debt

Mr. Jones reviewed the Virginia Debt Calendar as of May 1, 2023 and the leasing reports as of April 30, 2023. Mr. Jones noted the recent sales for the Virginia Public School Authority (VPSA) and the Virginia College Building Authority (VCBA), which the Board received a briefing on earlier in the meeting. For the VPSA notes sale, he mentioned the notes were sold on May 9 through a competitive auction process and were awarded to a syndicate led by Morgan Stanley at a true-interest cost of 2.50%. He noted there were nine bidders that placed over 50 bids throughout the process and that a complete final financing summary will be included in the June Board package. He also noted the upcoming Commonwealth Transportation Board sale that was approved earlier in the meeting.

He mentioned there were three leases funded in the month of April for the Department of Forestry and the Department of General Services in the total amount of approximately \$600 thousand, all for vehicle fleets. He stated that the remaining line of credit balance is approximately \$34.6 million. He stated that there was no activity to report for the Energy Lease Program and the remaining balance is approximately \$37.4 million.

Mr. Jones reviewed the Final Financing Summary for the recent Virginia Port Authority bond sale that priced on April 26 and closed on May 11. He noted the sale consisted of approximately \$150 million of new money bonds and just under \$53 million refunding bonds. He noted that the new money bonds were sold with a wrap structure as was discussed when the bond sale was authorized by the Board at its April meeting. He stated that the true interest cost was 4.15% on the new money bonds and the refunding bonds sold at a true interest cost of 2.87%, which allowed the transaction to have net present value savings of \$3.2 million or 5.4% of the refunded par.

Investments

Neil Boege provided a summary of the investment portfolios and commentary on the market and its debt ceiling probabilities. There will likely be a short-term extension or an agreement that results in an increase to the debt ceiling. U.S Treasury securities technically have never experienced a default. Currently the x date is the second week of June through end of July. The impact on the financial market is difficult to quantify.

Monthly average assets in the Primary Liquidity portfolio increased \$740 million during the month of April, driven by higher seasonal tax receipts, as expected. Tax revenues coming into the general account from April 1 to May 11 are approximately 8% lower than last year. Tax

refunds from April through May have been 50% higher than last due to the past year adjustments to the state tax code. Net tax impact on asset growth is around 14% lower than last year.

The LGIP portfolio assets have declined, which is also consistent with seasonal trends. Assets are expected to increase through June 30.

With respect to the Primary Liquidity portfolio, in April \$2.9 billion in securities rolled off at a weighted average yield of 4.55% and we purchased \$5.3 billion in securities at a weighted average yield of 5.15%, resulting in a 14 basis points increase in overall performance to 4.05% during April.

Both the LGIP and LGIP Extended Maturity (EM) portfolios were in compliance with standards and guidelines for the month of April. Yields on both funds increased during the month.

Neil Amin asked a question regarding the duration being lower on the LGIP maturity benchmark and the yield discrepancy. Discussion ensued.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits Act Report (SPDA) for the month ending March 31, 2023. No depositories were under-collateralized for the month of March. IDC ratings were updated from what was reported last month.

Ms. Reiter summarized the types of securities pledged as collateral. There were no significant changes in the types of securities pledged by pooled banks. With regard to opt-out banks, there was some movement of collateral out of mortgage back securities into municipal securities during the quarter primarily due to one of the larger opt-out banks making a change in the type of securities pledged as collateral. Mr. Reiter summarized how banks holding Virginia public deposits are categorized based on how the banks are chartered. Banks chartered in Virginia hold 97% of pooled public deposits where as 94% of public deposits held by opt-out banks are held by out of state banks. Out of state banks hold 58% of Virginia public deposits.

SPDA Regulations are in the final stage and are available on the Town Hall website. The last comment period is open until May 24, 2023. The regulations should become effective on July 1, 2023.

Discussion ensued.

Other Business

The meeting adjourned at 10:15 a.m.

The next Treasury Board meeting is scheduled for June 21, 2023.

Respectfully submitted,

Yvonne Scruggs, Secretary
Commonwealth of Virginia Treasury Board