

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

June 12, 2024

10:00 a.m.

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

Members Present: David L. Richardson, Chairman
James Alex
James Carney
Charles King
Sharon Lawrence
Dr. Joshua Weed

Members Absent: Neil Amin

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| Meeting Guests: | Donald Ferguson | Office of the Attorney General |
| | John Markowitz | Office of the Governor |
| | Scott Fleming | PFM Asset Management LLC |
| | Brian Sanker | PFM Asset Management LLC |
| | Michael Steinbrook | PFM Asset Management LLC |
| | David Swynford | Department of the Treasury |
| | Brad Jones | Department of the Treasury |
| | Stuart Williams | Department of the Treasury |
| | Neil Boege | Department of the Treasury |
| | Leslie English | Department of the Treasury |
| | Sandra Stanley | Department of the Treasury |
| | Laura Lingo | Department of the Treasury |
| | Elsa Evans | Department of the Treasury |
| | Kathy Foote | Department of the Treasury |
| | Cliff Lewis | Department of the Treasury |
| | Yousif Kadily | Department of the Treasury |
| | Chad Reed | Old Dominion University |
| | Anne Curtis Saunders | McGuireWoods |
| | Joey Gaston | McGuireWoods |
| | James Supplee | McGuireWoods |
| | T.W. Bruno | McGuireWoods |
| | Austin Dunlap | Sterling Capital |
| | Jeff Ormsby | Sterling Capital |
| | Kim Hoyt | Bingham ARS, Inc. |
| | Kathleen Bowe | Wells Fargo |
| | Kevin Larkin | Bank of America |

Call to Order and Approval of Minutes

Chairman Richardson welcomed the Board members and called the meeting to order at 10:00 a.m.

Chairman Richardson acknowledged Don Ferguson for his years of service with the state and with the Department of Treasury. Mr. Ferguson will be retiring from state government at the end of this month.

Chairman Richardson asked for a vote of approval of the minutes of the April 17, 2024 meeting. Mr. Carney moved for approval, Charles King seconded, and the motion carried unanimously.

Public Comment

There were no public comments.

Action Items

Resolution Approving the Terms and Structure of Bonds Issued by Old Dominion University in Connection with its Merger with Eastern Virginia Medical School

Chairman Richardson presented a Declaration pursuant to Sections 2.2-3112 State and Local Government Conflict of Interests Act.

T.W. Bruno with McGuire Woods introduced Chad Reed, Vice President for Administration and Finance at ODU. Mr. Bruno presented the timeline and the background of the merger between Old Dominion University and Eastern Virginia Medical School. The General Assembly codified the merger and put in place the statutory structure to take effect subject to the approval of the Governor and Chairs of House Committee on Appropriations and Senate Committee on Finance and Appropriations.

Chad Reed provided an overview of the partnership and collaboration of the merger. Mr. Reed commented on disparities within the community and strategic growth in the region. All debt and obligations (ie., swap payments) are secured by the Legacy EVMS Revenues. EVMS' debt will transfer to the University on July 1, 2024. The purpose is to evidence the University's obligations on an existing Eastern Virginia Medical School debt and related obligations. The outstanding EVMS bonds were issued to finance and refinance projects for the benefit of Eastern Virginia Medical School.

Discussion ensued.

T.W. Bruno from McGuire Woods and bond counsel on the transaction reviewed the Resolution. Charlie King moved that the Resolution be approved and Dr. Joshua Weed seconded, and the motion carried unanimously.

Board Briefings

Presentation on the SNAP Program Update by PFM Asset Management LLC

Scott Fleming with PFM Management LLC introduced Managing Director Brian Sanker, and Director Mike Steinbrook. Mr. Fleming provided an overview of the Virginia State Non-Arbitrage Program's (SNAP) program and discussed highlights, performance, and an arbitrage rebate service.

Brian Sanker provided an overview regarding the structure of the organizational support and resources. He provided information on the operations and rules of the local investment pools in addition to the layers of quality control and assurance for investors.

Recent and future program highlights included a connect online portal as well as webinar training with free access to 7 virtual classes related to investment training for governmental personnel with two sessions on arbitrage. Annual arbitrage rebate estimates reports are provided to every participant about any bond issues with potential liability. The reports will be sent out in July and August. Summary statistics were provided which included the gross and net fund yield comparisons to the benchmark and asset allocations. The financial statements discussed in the update, in all material aspects are in conformity with GASB.

Discussion ensued about tax issues related to bond issues and positive arbitrage.

Presentation by Money Manager Sterling Capital Management LLC (Short Duration Portfolio)

Stuart Williams introduced Austin G. Dunlap, Director of Client Strategist and Jeff Ormsby, CFA, Executive Director, Senior Portfolio Manager of Sterling Capital. Mr. Dunlap provided commentary regarding the overview of Sterling Capital Management.

Sterling Capital is headquartered in Charlotte, North Carolina with additional offices in Raleigh, Virginia Beach, Jupiter, FL, Philadelphia & San Francisco. Sterling Capital is owned by Truist Financial Corporation. It will be divested to Guardian Capital Group Ltd. and or about July 2, 2024. There are \$77 billion in assets under management and under advisement. The portfolio has a great depth of experienced portfolio managers, investment analysts, traders, and client strategists.

Sterling Capital has a culture and investment style that is focused on capital preservation and consistent risk-adjusted returns over time.

Jeff Ormsby provided an overview of the investment outlook and strategic positioning of the portfolios which included but not limited to asset allocation and the portfolio structure. Mr. Ormsby provided information on the fixed income characteristics, performance attribution and duration of short-term fixed income.

Discussion ensued about investment strategies.

Debt

Brad Jones reviewed the Virginia Debt Calendar as of June 1, 2024, and the leasing reports as of May 31, 2024. Mr. Jones noted that Treasury staff is beginning to prepare for its fall debt issuances, which are currently anticipated to include two Virginia Public School Authority (VPSA) special obligation sales to benefit Hanover County and Prince William County, and a VPSA Pool. He also noted that staff is working with a higher education institution to determine whether the Commonwealth will pursue a General Obligation Bond sale this fall, or whether the sale will likely occur next spring. Additionally, he noted that he anticipates an August Treasury Board meeting to consider a potential sale for a deal that has not yet been added to the Debt Calendar, as that issuer will be discussing the potential issuance at its board meeting later in June. Mr. Jones then reviewed the activity for the Master Equipment Lease Program. He noted approximately \$40 thousand was provided during the month of May, which was for the Virginia Department of Emergency Management (VDEM) for a vehicle and that an additional \$220 thousand was approved for VDEM for future financings of vehicles. He noted that with the disbursements, approximately \$19.5 million remains available for lease items under the current line of credit balance. He noted there was no activity to report on the Energy Lease Program.

Mr. Jones then reviewed the final financing summary for the recent Virginia Public Building Authority (VPBA) deal that priced on May 21st. He noted that the sale consisted of \$222.3 million of tax-exempt new money bonds (Series 2024A), \$136 million of tax-exempt refunding bonds (Series 2024B), and \$30.1 million of taxable new money bonds (Series 2024C). BofA Securities was stated to be the underwriter of both the Series 2024A and the Series 2024B bonds, while FHN Capital was stated to be the underwriter of the Series 2024C bonds. The true-interest costs of the bonds were listed as 3.77%, 3.16%, and 4.93% for the respective series. It was mentioned that the refunding bonds generated \$3.8 million of net present value savings (2.68%). The final estimated costs of issuance were \$325 thousand.

Investments

Neil Boege reviewed the Investment reports for the month ended May 31, 2024. The General Account portfolio (Primary Liquidity plus Extended Duration) was valued at \$31 billion. The average yield on the Primary Liquidity portion of the General Account was 4.72%, in line with the previous month. The Extended Duration (EDCP) portion of the portfolio had a yield to maturity of 5.27%. Primary Liquidity Pool assets increased by \$0.7 billion despite a \$0.5 billion rebalancing outflow to the EDCP portion of the General Account. General Account May collected income remained elevated at \$122 million and will likely remain around that level, on average, through June.

The LGIP portfolios were in compliance with all guidelines and standards for the month of May. LGIP program yields and balances were broadly in line with April although the LGIP EM portfolio has recently experienced participant reallocations into the LGIP stable value portfolio. Localities are increasingly choosing shorter average maturity investment opportunities to take advantage of the persistently inverted yield curve.

Security for Public Deposits

Cliff Lewis reviewed the Security for Public Deposits Act report (SPDA) for the month ending April 30, 2024. No banks were undercollateralized for the month. American National Bank and Trust merged with Atlantic Union Bank with total combined assets of \$24.34 billion; public deposits net of FDIC is \$1.01 billion; and total pool public deposits for all pool banks are \$4.19 billion. The merger makes up 24% of pooled deposits of FDIC. MDB bank withdrew from the program. There was no change in IDC ratings in February; IDC's 4th quarter 2023 ratings were used in May.

Other Business

Chairman Richardson shared that it is unlikely that the Treasury Board will meet in July. However, he will provide official notice to the Board if the July meeting is cancelled.

The meeting adjourned at 11:56 p.m.

Respectfully submitted,

Yvonne Scruggs, Secretary
Commonwealth of Virginia Treasury Board