TREASURY BOARD
COMMONWEALTH OF VIRGINIA
February 16, 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	
	Craig Burns	
	James Carney	
	David Von Moll	
Members Absent:	Neil Amin	
Meeting Guests:	Arthur Anderson	McGuire Woods LLP
	Anne Curtis Saunders	McGuire Woods LLP
	Don Ferguson	Office of the Attorney General
	James Johnson	Optimal Service Group
	Bryce Lee	Optimal Service Group
	Karen Logan	Optimal Service Group
	Nelson Bush	PFM
	Christine Ilarina	PRAG
	Janet Lee	PRAG
	Patrick Dixon	Wells Fargo Bank
	Laura Farmer	Department of Transportation
	Wendy Thomas	Department of Transportation
	Misty Upson	Department of Transportation
	Neil Boege	Department of the Treasury
	Jay Conrad	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Leslie English	Department of the Treasury
	Brad Jones	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Richard Rhodemyre	Department of the Treasury
	David Swynford	Department of the Treasury
	Stuart Williams	Department of the Treasury

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed the Board members and called the meeting to order at 9:02 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the minutes of the December 15, 2021 meeting. No changes were noted. Chairwoman Ganeriwala asked for a vote of approval of the minutes. David Von Moll moved for approval, James Carney 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 2022 (U.S. Route 58 Corridor Development Program)

Richard Rhodemyre presented the Preliminary Financing Summary for the issuance by the Commonwealth Transportation Board of approximately $121.8 million of Commonwealth of Virginia Transportation Revenue Bonds, Series 2022 (U.S. Route 58 Corridor Development Program). The proceeds of the Bonds are being used to finance a portion of the costs of the U.S. Route 58 Corridor Development Program and to pay costs of issuing the Bonds. The Bonds are scheduled for competitive bid on March 22, 2022 with a closing date of April 5, 2022. The estimated true interest cost as of February 15, 2022 was 2.72%. The Bonds are to be secured and payable from revenues deposited into the U.S. Route 58 Corridor Development Fund and from the revenues and receipts allocated by the Commonwealth Transportation Board and appropriated to it by the General Assembly.

Discussion ensued.

James Carney asked about the estimated all-in true interest cost and the assumed baseline principal repayment structure, to which Mr. Rhodemyre responded that we usually issue on a level debt service structure. Mr. Carney further inquired about the expected gross spread. Janet Lee responded that it is $4.00/bond underwriter's discount and this is included in the estimated cost of issuance.

Chairwoman Ganeriwala mentioned that the Route 58 unused allocation has been on the books since 1989. She questioned how much authorization remains. Misty Upson responded that all of the original authorization has been issued and the current authorization being utilized was provided in 2013. She noted this issuance is the first under the most recent authorization. It was noted that the remaining authorization would be $595,000,000 less the proceeds of this issuance. The next issuance is planned for 2023 and the use of the authorization is expected to finish in the next six to seven years. Ms. Upson explained the details of the project.

Mr. Carney questioned the source of security versus the testing for the issuance of new bonds. Arthur Anderson further explained the process. It is a test made at the time of issuance, but should additional funds be necessary subsequent to the time of issuance, other Transportation Trust Funds will be made available to the extent available.

Anne Curtis Saunders, representing McGuire Woods, reviewed the Resolution.

Discussion ensued.

Mr. Carney questioned if the maximum true-interest cost parameter should be raised since rates are quickly rising. Janet Lee responded that 3.75% is a sufficient rate to use for the maximum true interest cost.

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

Mr. Carney left the meeting at 9:25 a.m. to attend to a personal matter.

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 provided a market update to the group. The economy remained on track for its strongest quarterly pace of the year. Yields of U.S. Treasury notes and bonds rose slightly across the board during the 4th quarter.

The market has priced at about 175 basis points of rate hikes throughout the course of the upcoming year. Chairwoman Ganeriwala asked how many different hikes represents 175 basis points. Mr. Lee responded that it could be three to four rate hikes. Optimal finds 175 basis points a little aggressive.

Mr. Lee briefed the Board on the General Account extended duration portfolio. The portfolio was valued at $4.2 billion. Due to rising rates and the need of these funds to mark-to-market pricing daily, the Extended Duration and Credit Portfolio lost 0.5% during the fourth quarter which underperformed the benchmark by 0.1%. For the fiscal YTD period, the portfolio also trailed by 0.1% with a loss of 0.4%. All returns are net of fees.

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

The TICR taxable portfolio was valued at approximately $190 million. The portfolio declined 0.6% over the 4th quarter which underperformed the benchmark by 0.1%. Over the trailing one-year period, the portfolio fell short of its benchmark by 0.1% basis points with a loss of 1.3%. The TICR tax-exempt portfolio was valued at approximately $177 million. The 4th quarter return net of fees was 0.3%, with a benchmark return of 0.0%.

Staff Reports

Debt Management

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

Mr. Jones also reviewed the leasing reports as of January 31, 2022. There was some vehicle fleet activity with the Master Lease Program. There is $56.5 million available on the current line of credit. There was no activity with the Energy Lease Program.

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits Report (SPDA) for the month ended December 31, 2021. Ms. Reiter reported that Essex Bank (pooled bank) merged into United Bank (opt-out bank). No banks were undercollateralized for the month. In December, IDC's 3rd quarter bank ratings were used. CornerStone Bank (pooled bank) was removed from the below average listing. Virginia National Bank is still required to pledge 100% collateral due to their prior rating.

Ms. Reiter reported on the quarterly statistical reports as of December 31, 2021. There were a total of 83 qualified public depositories that held public deposit balances (net of FDIC) of $10.5 billion. Twenty-six opt-out depositories held public deposits (net of FDIC) of $6.7 billion. Fifty-seven pooled depositories held public deposits (net of FDIC) of $3.8 billion. There were no significant changes in the public deposit balances being held by the largest qualified public depositories. With regard to securities being pledged as collateral by opt-out banks, there was a movement out of mortgage-back securities into US Treasury notes during the 4th quarter of 2021. This was primarily the result of a change in the type of collateral pledged by one or two opt-out banks.

Ms. Reiter then reviewed the Auditor of Public Accounts (APA) 2021 Internal Control and Compliance Finding and Recommendation. The APA reported a finding in regards to SPDA. It was found that Treasury did not accurately calculate nor consistently apply the penalty timeframe for which previously undercollateralized depositories must post additional collateral in fiscal year 2021. Treasury will re-evaluate its methodology for calculating the penalty period for weekly undercollateralization by opt-out depositories. The methodology adopted will be documented in the SPDA desk procedures and will provide for proper calculation, communication and recording for the undercollateralization penalty period.

Ms. Reiter informed the Board that we are currently in stage two of the process to amend the SPDA Amended Regulations. This week, a release of a draft of the amended regulations became available for public comment. Public comments will be accepted February 14 to April 15. A series of letters and memoranda were also provided to all of the SPDA stakeholders. Thus far, we have only received a handful of public comments that pertained mainly to clarification.

State Non-Arbitrage Program

Nelson Bush announced that he is the new father of a baby girl named Naomi. Chairwoman Ganeriwala and the Board congratulated him on his new baby.

Mr. Bush reviewed the SNAP report as of January 31, 2021. The fund's assets were valued at $5.04 billion. The monthly yield was .0827%, slightly higher from December's yield of 0.0709%. The weighted average maturity of the fund was 37 days. There were $2.2 million in new bond issuances for the month.

Investments

Neil Boege reviewed the Investment reports for the month ended January 31, 2022. The General Account portfolio was valued at $22.9 billion. The average yield on the Primary Liquidity portion of the General Account was 0.30%; the month prior was 0.28%. The Extended Duration portion of the portfolio had a yield to maturity of 1.90%; the month prior was 1.53%. This resulted in the composite yield being 0.59% for the month.

Mr. Boege then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of January. The LGIP portfolio was valued at $8.2 billion. The average gross yield on the portfolio was 0.14%; the month prior was 0.13%. The average maturity was 48 days, down four days from the previous month.

Finally, Mr. Boege reviewed the LGIP Extended Maturity portfolio. The LGIP Extended Maturity portfolio was in compliance for all measures for the month of January. The net asset value gross yield to maturity was 0.33%; the month prior was 0.28%. The average duration was 0.92 years.

Other Business

Chairwoman Ganeriwala shared that the next Treasury Board meeting is scheduled for March 16.

The meeting adjourned at 10:13 a.m.

Respectfully submitted,

____

Vernita Boone, Secretary
Commonwealth of Virginia Treasury Board