

TREASURY BOARD
COMMONWEALTH OF VIRGINIA
October 17, 2018
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
Neil Amin
James Carney
David Von Moll

Members Absent: Craig Burns
Douglas Densmore
Lou Mejia

Others Present:

Don Ferguson	Office of the Attorney General
Susan Bagato	Auditor of Public Accounts
Crystal Katovsich	Auditor of Public Accounts
Darrell Katovsich	Citizen of the Commonwealth
Arthur Jaison	Ernst & Young
Eric Ballou	Kaufman and Canoles
George Scruggs	Kutak Rock
Karen Logan	Optimal Service Group
Brian Moore	Optimal Service Group
Nelson Bush	PFM
Daniel Hess	PFM
Laura Farmer	Department of Transportation
John Lawson	Department of Transportation
Patrick Dixon	Wells Fargo
Doug Sbertoli	Williams and Mullen
Janet Aylor	Department of the Treasury
Neil Boege	Department of the Treasury
Tracey Edwards	Department of the Treasury
Debora Greene	Department of the Treasury
Kathy Green	Department of the Treasury
Laura Lingo	Department of the Treasury
Jay Mahone	Department of the Treasury
Kristin Reiter	Department of the Treasury
Sandra Stanley	Department of the Treasury
David Swynford	Department of the Treasury
Mike Tutor	Department of the Treasury
Bill Watt	Department of the Treasury
Tim Wilhide	Department of the Treasury
Cindy Wu	Department of the Treasury

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:07 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to August 21 meeting minutes. Mr. Carney asked that Karen Logan's name be corrected and David Back be added to the minutes. Chairwoman Ganeriwala asked for a vote of approval of the changes to the minutes. Mr. Carney moved for approval of the minutes. Mr. Amin 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 Revenue Bonds 2018A and 2018B (Federally Taxable) Under the Public Higher Education Financing Program

Jay Mahone presented the Preliminary Financing Summary for the issuance of \$129.8 million of Virginia College Building Authority, Educational Facilities Revenue Bonds, Series 2018A and \$77.1 million of Virginia College Building Authority, Educational Facilities Federally Taxable Revenue Bonds, Series 2018B. The proceeds of the Bonds will be used to finance the costs of specified capital projects at various public institutions of higher education in the Commonwealth of Virginia and pay costs of issuing the 2018 Bonds. The Bonds are scheduled for competitive sale on November 6, 2018. The estimated true interest cost as of October 16, 2018 was 3.45% for the Series 2018A Bonds and 4.47% for the Series 2018B Bonds.

George Scruggs, representing Kutak Rock as Bond Counsel, reviewed the resolution.

Discussion ensued.

Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Amin 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 by the Commonwealth Transportation Board of Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2018

Janet Aylor introduced Mr. Doug Sbertoli, representing Williams and Mullen as Bond Counsel; John Lawson, Chief Financial Officer, Virginia Department of Transportation; and Ms. Laura Farmer, Director of Financial Planning, Virginia Department of Transportation.

Ms. Aylor presented the Preliminary Financing Summary for the issuance of \$75.6 million of Commonwealth Transportation Board, Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2018 (the "2018 Notes"). It is expected that the Transportation

Board will use the net proceeds of the 2018 Notes to (i) provide for the payment of certain costs of certain eligible transportation projects in the Commonwealth and (ii) pay certain costs related to the issuance of the 2018 Notes. The 2018 Notes are the sixth series of notes issued by the Transportation Board under the GARVEE Act. The bonds are scheduled for competitive bidding on November 14, 2018. The estimated true interest cost as of October 16, 2018 was 3.27%.

Douglas Sbertoli, representing Williams and Mullen as Bond Counsel, reviewed the Resolution.

Discussion ensued. Going forward, it was decided that an actual final maturity date would be provided in all Resolutions rather than a term in years.

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.

Presentations

Nelson Bush introduced Arthur Jaison, Partner of Ernst & Young; and Dan Hess, Managing Director of PFM.

Ernst & Young – Virginia State Non-Arbitrage Program SNAP Fund Portfolio 2018 Audit Report

Arthur Jaison, Partner with Ernst & Young presented the Virginia State Non-Arbitrage Program SNAP Fund Portfolio 2018 Audit Report. The audit is substantially complete. Mr. Jaison, discussed the key audit areas, open items, and inquiries of matters that the Treasury Board and management may be aware of that are relevant to the audit.

Discussion ensued.

PFM – Virginia State Non-Arbitrage Program SNAP Fund Portfolio 2018 Annual Report

Dan Hess, Managing Director of PFM presented the Virginia State Non-Arbitrage Program SNAP Fund Portfolio 2018 Annual Report. Mr. Hess reported that the financial statements that were audited present fairly in all material respects, the financial position of the Virginia State Non-Arbitrage Program – SNAP Fund Portfolio at June 30, 2018, and the changes in its net position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Discussion ensued.

Staff Reports

Debt Management

Ms. Aylor reviewed the Debt Calendar as of October 1, 2018 and the leasing reports as of September 30, 2018. She informed the Board that no new leases were provided in September. She also informed the Board that nearly \$16 million was used to date under the Master Lease Program leaving a line of credit balance of \$9.7 million. In addition, \$19.3 million was previously provided under the Energy Lease Program and the line of credit balance is \$20.6 million.

Discussion ensued.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits Report for the month ended August 31, 2018. Ms. Reiter reported that one bank (Select Bank) was undercollateralized for the month. Ms. Reiter noted that the IDC ratings have not been updated from what was reported last month using IDC's 1st Quarter 2018 report. Three pooled banks (Blue Grass Valley Bank, Carter Bank & Trust, and Virginia Commonwealth Bank) were ranked below average this month. Two banks, Bank of Fincastle and Highlands Union Bank, are opt-out banks that were also ranked below average. Second quarter ratings will be reported at the next meeting.

Ms. Reiter also provided an update on the SPDA Opt-out Guidelines. Staff met with the banking institutions after the Treasury Board's August meeting and discussed the Opt-out Guidelines. November is the open period for the Opt-out Guidelines, so it was decided to pursue changes to the guidelines early next year. This matter will be presented to the Board for a vote next spring.

State Non-Arbitrage Program

Nelson Bush provided an update on current market themes. The federal government increased rates in September and another two to four increases are expected in 2019. Since March 2018, Treasury yields have been increasing; however, credit yields have not climbed at the same pace. This may be due to supply and demand. He then provided a portfolio overview. The fund's assets were valued at \$4.1 billion. The monthly yield was 2.21%, two basis points higher than the month prior. The weighted average maturity of the fund was 29 days.

Investments

Neil Boege reviewed the Investment reports for the month ended September 30, 2018. Market rates continued to move upward. The General Account portfolio was valued at \$7.0 billion. The average yield on the Primary Liquidity portion of the General Account was 2.17%, up five basis points from the month prior. The Extended Duration portion of the portfolio had a yield to maturity of 3.32%. This resulted in the composite yield being 2.38% for the month.

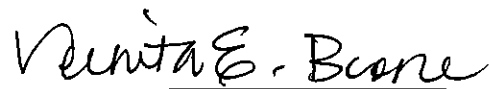
Mr. Boege then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of September. The LGIP portfolio was valued at \$4.2 million. The average yield on the portfolio was 2.21%, up four basis points from the month prior. The average maturity was 50 days, up five days from the previous month. Mr. Boege then reviewed the LGIP Extended Maturity portfolio. The LGIP Extended Maturity portfolio was in compliance for all measures for the month of September. The net asset value yield to maturity was 2.19%, up six points from the month prior. The average duration was 0.82 years.

Other Business

Bill Watt, Senior Policy Analyst with the Department of Treasury, presented an overview of the upcoming Conflict of Interest training that citizen Board members are required to complete bi-annually. Mr. Watt will send the members instructions to complete the training.

Chairwoman Ganeriwala stated that the next meeting of Treasury Board is scheduled for November 14, 2018. However, due to a scheduling conflict, the meeting date needs to be rescheduled. Chairwoman Ganeriwala indicated that Ms. Boone will poll the Board members for a new date. Mr. Von Moll left the meeting at 10:30 a.m. The meeting adjourned at 10:36 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Vernita E. Boone". The signature is written in black ink and is positioned above the printed name.

Vernita Boone, Secretary
Commonwealth of Virginia Treasury Board