

TREASURY BOARD
COMMONWEALTH OF VIRGINIA
November 15, 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
James Carney
Douglas Densmore
Lou Mejia
David Von Moll

Members Absent: Neil Amin
Craig Burns

Others Present:

Don Ferguson	Office of the Attorney General
Katie Collins	Auditor of Public Accounts
Kevin Larkin	Bank of America
Douglas Hornsby	Christopher Newport University Real Estate Foundation
Megan Gilliland	Kaufman and Canoles
Bill Zuk	JP Morgan
Bryce Lee	Optimal Service Group
Karen Logan	Optimal Service Group
Brian Moore	Optimal Service Group
Page Allen	Wells Fargo
Patrick Dixon	Wells Fargo
Janet Aylor	Department of the Treasury
Neil Boege	Department of the Treasury
Vernita Boone	Department of the Treasury
Leslie English	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
Mike Tutor	Department of the Treasury
Bill Watt	Department of the Treasury
Tim Wilhide	Department of the Treasury

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:06 a.m. Chairwoman Ganeriwala asked if there were any changes or revisions to the October 17 meeting minutes. Mr. Von Moll moved for approval of the minutes. Mr. Densmore seconded and the motion carried unanimously.

Public Comment

None

Action Items

Resolution Approving the Proposed Terms and Structure of a Bond to Refinance a Student Housing Facility Owned by Christopher Newport University Education Foundation and Leased to Christopher Newport University

Janet Aylor introduced Douglas Hornsby, CFO of the Christopher Newport University Education and Real Estate Foundations and Megan Gilliland, of Kaufman and Canoles, Bond Counsel to the Foundations.

Ms. Aylor presented the Preliminary Financing Summary for the refinance at final maturity (as of December 1, 2018): (1) the Industrial Development Authority of Richmond County, Virginia, Revenue Bond (Christopher Newport University Student Housing Project), Series 2013, in the original principal amount of \$4.2 billion, which refinanced the Industrial Development Authority of New Kent County, Virginia, \$5.5 million Revenue Bond (Christopher Newport University Project), Series 2002, which financed a portion of the costs of constructing and equipping a student housing complex (the "CNU Apartments"); and (ii) the Economic Development Authority of the City of Poquoson, Virginia, Revenue Bond (Christopher Newport University Student Housing Project), Series 2013, in the original principal amount of \$7.4 billion, which refinanced the Industrial Development Authority of New Kent County, Virginia, \$10 million Revenue Bond (Christopher Newport University Project), Series 2001, which also financed a portion of the costs of constructing and equipping such CNU Apartments. The Bonds are scheduled for direct placement with Bank of America, National Association on the closing date prior to December 1, 2018 (the maturity date of the 2013 Bonds) and will be consolidated into one note. The Bond will be priced as a tax-exempt bank-qualified bond at a current fixed interest rate per annum of 3.85%; subject to yield protection in the event of change in maximum federal corporate tax rate, determination of taxability, loss of bank-qualified status, or change in laws or regulations relating to capital adequacy. The bond is not to exceed \$9.5 million in the aggregate. The Bond will amortize principal at the rate of \$50,000 per month over the next five years. The Board can expect CNU Foundation to be back in five years to finance the debt.

Megan Gilliland reviewed the resolution.

Discussion ensued.

Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Carney moved that the Resolution be adopted. Mr. Densmore seconded and the motion carried unanimously.

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

Janet Aylor reviewed the Motion to Procure a Line of Credit for the Master Equipment Leasing Program. The current lease expires at the end of February 2019. Ms. Aylor explained that this was a routine procurement. Approval of the Motion will allow Treasury staff to move forward with the procurement. Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Von Moll moved that the Resolution be adopted. Mr. Mejia seconded and the motion carried unanimously.

Board Briefing

Brian Moore and Karen Logan briefed the Board on the General Account External Managers' investment performance and the Quarterly Investment Manager Performance of the TICR Endowment for taxable and tax-exempt portfolios for the 3rd quarter of 2018.

Mr. Moore briefed the Board on the General Account External Manager's portfolio. The portfolio was valued at \$1.26 billion and had earned income of \$9.1 million. The portfolio return in the 3rd quarter was 0.2% net of fees, matching the benchmark net of fees.

Discussion ensued.

Ms. Logan briefed the Board on the TICR tax exempt and TICR taxable portfolios. The TICR taxable portfolio was valued at \$229 million and had earned income of \$1.8 million. The portfolio return in the 3rd quarter was 0.3% net of fees, 0.2% over the benchmark. The TICR tax-exempt portfolio was valued at \$185.6 million, earned income of \$1.1 million and an unrealized loss of \$1.3 million. The 3rd quarter return net of fees was 0.1% net of fees, matching the benchmark net of fees.

Discussion ensued.

Staff Reports

Debt Management

Ms. Aylor reviewed the Debt Calendar as of November 1, 2018 and the leasing reports as of October 31, 2018. She informed the Board that several new leases were provided in October for equipment. She also informed the Board that roughly \$18 million was used to date under the Master Lease Program leaving a line of credit balance of \$22.5 million. In addition, \$19.3 million was previously provided under the Energy Lease Program and the line of credit balance is \$40.7 million. There were no new activity in the Energy Lease Program.

Ms. Aylor reviewed the Virginia College Building Authority's Final Financing Summary for \$211.2 million of 2018A and 2018B Bonds (\$134.5 million tax-exempt and \$76.7 million taxable) that will be

used to finance the cost of specified capital projects at various public institutions of higher education in the Commonwealth of Virginia. The Bonds were sold on November 6, 2018 and will be delivered on December 4, 2018.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits Report for the month ended September 30, 2018. Ms. Reiter reported that one bank (HomeTrust Bank) was under-collateralized for the month. Ms. Reiter noted that the IDC ratings have been updated using IDC's 2nd Quarter 2018 ratings. One pooled bank (Virginia Commonwealth Bank) was removed from the below average list. Two pooled banks (Blue Grass Valley Bank and Carter Bank & Trust) 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.

Ms. Reiter then reviewed the quarterly statistics reports. As of September 30, 94 public depositories held public deposit balances (net of FDIC) of \$7.3 billion; \$4.9 billion of these deposits were held by 29 opt-out depositories. A total of \$2.4 billion was held by 65 pooled depositories. Our four largest public depositories held \$3.5 billion or 48% of total public deposit balances net of FDIC. There were no significant changes in deposit balances of our largest depositories between June and September. A summary of the types of securities pledged as collateral at September 30 by pooled and opt-out banks was also provided. There were no significant changes in the types of securities pledged between this quarter and last quarter. Next, banks holding Virginia public deposits were categorized based on where and how the banks are chartered. Banks chartered in Virginia hold 95% of pooled public deposits whereas 93% of public deposits held by opt-out banks are held by out-of-state banks. In total, 63% of public deposits net of FDIC are held by out-of-state banks.

Ms. Reiter then reported that Chairwoman Ganeriwala had sent a memorandum to each pooled public depository in November to assist them with fully understanding the contingent liability exposure associated with using the pooled collateral method. Each pooled depository was provided their projected contingent liability under three scenarios assuming the failure of a pooled public depository and the loss of public funds. The memorandum coincided with November's open election period when qualified public depositories can choose between the pooled and dedicated collateral methods for the upcoming year.

Discussion ensued.

State Non-Arbitrage Program

Neil Boege provided a portfolio overview. Rates increased in September. The fund's assets were valued at \$3.8 billion. The monthly yield was 2.33%, twelve basis points higher than the month prior. The weighted average maturity of the fund was 38 days.

Mr. Boege reported that PFM recently rolled-out its multifactor authentication on their website; 88 of their 587 users are registered to date.

Investments

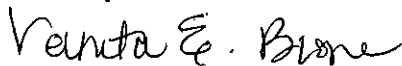
Neil Boege reviewed the Investment reports for the month ended October 31, 2018. Market rates continued to move upward. The General Account portfolio was valued at \$7.4 billion. The average yield on the Primary Liquidity portion of the General Account was 2.31%, up fourteen basis points from the month prior. The Extended Duration portion of the portfolio had a yield to maturity of 3.44%. This resulted in the composite yield being 2.50% for the month.

Mr. Boege then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of October. The LGIP portfolio was valued at \$4.0 billion. The average yield on the portfolio was 2.33%, up eleven basis points from the month prior. The average maturity was 50 days, the same as 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 October. The net asset value yield to maturity was 2.24%, up five points from the month prior. The average duration was 0.77 years.

Other Business

Chairwoman Ganeriwala stated that the next meeting of Treasury Board is scheduled for December 19, 2018. The meeting adjourned at 10:14 a.m.

Respectfully submitted,



Vernita Boone, Secretary
Commonwealth of Virginia Treasury Board