

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA  
November 20, 2019  
9:00 a.m.  
Treasury Board Conference Room  
James Monroe Building  
101 N. 14<sup>th</sup> Street, 3<sup>rd</sup> Floor  
Richmond, Virginia

Members Present: Manju S. Ganeriwala, Chairwoman  
Neil Amin  
Craig Burns  
Douglas Densmore  
Lou Mejia  
David Von Moll

Members Absent: James Carney

Others Present:	Don Ferguson	Office of the Attorney General
	Crystal Katovsich	Auditor of Public Accounts
	Doug Hornsby	CNU Real Estate Foundation
	Chris Kulp	Hunton Andrews Kurth
	Martha Warthen	Hunton Andrews Kurth
	T.W. Bruno	McGuire Woods
	David Richardson	McGuire Woods
	Anne Curtis Saunders	McGuire Woods
	Markita Heard	JP Morgan
	James Johnson	The Optimal Service Group
	Bryce Lee	The Optimal Service Group
	Karen Logan	The Optimal Service Group
	Nelson Bush	PFM Asset Management LLC
	Sean Ekiert	Raymond James
	James Johnson	Raymond James
	Hossein Sadid	Virginia Museum of Fine Arts
	Hazel Duncan	Virginia Museum of Fine Arts Foundation
	Reid Andrews	Wells Fargo
	Patrick Dixon	Wells Fargo
	Janet Aylor	Department of the Treasury
	Neil Boege	Department of the Treasury
	Leslie English	Department of the Treasury
	Kathy Green	Department of the Treasury
	Debora Greene	Department of the Treasury
	Bradley Jones	Department of the Treasury
	Laura Lingo	Department of the Treasury
	James Mahone	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Richard Rhodemyre	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	David Swynford	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 9:04 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the October 16 meeting minutes. Mr. Von Moll moved for approval of the minutes. Mr. Mejia seconded and the motion carried.

### **Public Comment**

None

### **Action Items**

#### **Correction and Approval of March 20, April 17, July 10 and September 18, 2019 Minutes**

Vernita Boone reviewed the changes to the March 20, April 17, July 10 and September 18, 2019 Treasury Board meeting minutes. Mr. Mejia moved for approval of the corrected minutes. Mr. Densmore seconded and the motion carried.

#### **Resolution Approving the General Terms of a Proposed Financing Arrangement for the Benefit of the Virginia Museum of Fine Arts**

Janet Aylor introduced Hossein Sadid and Dr. Hazel Duncan of the Virginia Museum of Fine Arts Foundation, James Johnson and Sean Ekiert of Raymond James, and Chris Kulp and Martha Warthen of Hunton Andrews Kurth.

Ms. Aylor presented the Preliminary Financing Summary for the refinancing of a \$42 million Virginia Small Business Financing Authority Fixed Rate Refunding Revenue Bond, Series 2019 (Virginia Museum of Fine Arts Foundation). The proceeds of the Bonds will be used to refund two series of bonds previously issued in 2014 by the Authority for the benefit of the foundation (the "2014A Bonds" and the "2014B Bonds"). The 2014A bonds are currently outstanding in the principal amount of \$30,099,000, and the 2014B Bonds are currently outstanding in the principal amount of \$10,032,000. The proceeds of the 2014A Bonds and the 2014B Bonds were used to refund bonds previously issued in 2005 and 2008 by the Authority for the benefit of the Foundation (the "2005 Bonds" and the "2008 Bonds"). The Treasury Board previously approved the issuance of the 2005 Bonds, the 2008 Bonds, the 2014A Bonds and the 2014B Bonds. The financing will not involve creating any financial obligation of the Museum or any other agency of the Commonwealth for payment of the Bonds. No funds of the Commonwealth are pledged, directly or indirectly, to the payment of the Bonds, and it is not contemplated that any such funds would under any circumstances be used to pay the Bonds.

Discussion ensued.

Mr. Sadid, CFO for the Virginia Museum of Fine Arts Foundation, assisted by Chris Kulp, representing Hunton Andrews Kurth as Bond Counsel, gave an overview of the project and the financing emphasizing the importance of this project to the Virginia Museum of Fine Arts Foundation.

Discussion ensued.

Mr. Kulp reviewed the Resolution.

Mr. Mejia moved that the Resolution be adopted. Mr. Amin seconded, and the motion carried unanimously.

**Resolution Approving the Plan of Finance for the Issuance and Sale of Revenue Bonds for the Benefit of CNU Real Estate Foundation Related to the Barclay Apartments**

Janet Aylor introduced Douglas Hornsby, CEO of the Christopher Newport University Real Estate Foundation, and T.W. Bruno, Anne Curtis Saunders and David Richardson of McGuireWoods, Bond Counsel to the Foundation. Janet informed the Board that the Executive Vice President of Christopher Newport University sent a letter of support for the Barclay Apartments and Village Apartments Projects.

Ms. Aylor presented the Preliminary Financing Summary for the \$14 million Christopher Newport University Real Estate Foundation Series 2019 (Barclay/CNU Apartments Project) Educational Facilities Revenue Bonds. The purpose of the issuance and sale of Revenue Bonds is to (1) finance the demolition of the Barclay Apartments and the construction of new apartments for use as student housing by Christopher Newport University; (2) finance capitalized interest on the Bonds, and (3) finance costs of issuance related to the transaction. The Bonds are scheduled for direct placement with TowneBank on the closing date on or about December 12, 2019. During the construction draw period, payments shall be interest-only, payable monthly on the total of all draws outstanding, until the later to occur of (i) one year from closing or (ii) 30 days after a Certificate of Occupancy is obtained on completed project. Thereafter, the loan shall convert to a term loan with loan payments of principal and interest made either monthly or semi-annually at borrower's option based on a 25-year amortization schedule.

Discussion ensued.

Mr. Richardson and Mr. Hornsby provided additional information about the project and financing.

Mr. Richardson reviewed the resolution.

Discussion ensued.

Mr. Densmore moved that the Resolution be adopted. Mr. Burns seconded, and the motion carried unanimously.

**Resolution Approving the Plan of Finance for the Issuance and Sale of Revenue and Refunding Bonds for the Benefit of CNU Real Estate Foundation Related to the Village Apartments**

Ms. Aylor presented the Preliminary Financing Summary for the \$19.45 million Christopher Newport University Real Estate Foundation Series 2019 (CNU Village Apartments Project) Educational Facilities Revenue Bonds. The purpose of the issuance and sale of Revenue Bonds is to (1) refinance the existing EDA Revenue Bonds (CNU Warwick LLC Student Apartments Project), Series 2004, currently outstanding in the amount of \$16.95 million (as of 11/01/19) in Variable Rate Mode, originally issued to finance the construction of the CNU Village Apartments to be used as student housing by Christopher Newport University; (2) finance up to \$2.5 million of improvements to the Project, consisting primarily of a new roof; and (3) finance costs of issuance related to the transaction. The Bonds are scheduled for direct placement with Bank of America Merrill Lynch with a delivery date on or about December 12, 2019. The refinancing will convert the existing Variable Rate Demand Bond, which is subject to weekly interest rate reset and supported by a Letter of Credit (renewable annually), to a fixed interest rate for the next 10 years. The current all-in cost of funds (11/1/19) is 2.55%, including the VRDB Interest Rate, LOC Fee and Remarketing Fee.

Discussion ensued.

Mr. Ekiert provided additional information about the project and financing.

Mr. Von Moll moved that the Resolution be adopted. Mr. Densmore seconded, and the motion carried unanimously.

Mr. Burns left the meeting.

### **Board Briefings**

#### **Optimal Services Group of Wells Fargo Advisors Briefing on the 3<sup>rd</sup> Quarter Performance Reports for the Extended Duration Credit Portfolio and TICR Investment Portfolio**

Bryce Lee and Karen Logan briefed the Board on the General Account External Managers' investment performance for the 3<sup>rd</sup> quarter of 2019 and the Quarterly Investment Manager Performance of TICR Endowment for taxable and tax-exempt portfolios for the 3<sup>rd</sup> quarter of 2019.

Mr. Lee briefed the Board on the General Account extended duration portfolio. The portfolio gained 1.6% during the third quarter, which matched the benchmark. Mr. Lee briefed the Board on the General Account External Manager's portfolio. The portfolio was valued at \$1.37 billion and the portfolio return in the 3<sup>rd</sup> quarter was 1.6% net of fees, matching the benchmark.

Discussion ensued. Mr. Densmore inquired about collateralized loan obligations, to which Ms. Logan and Mr. Lee responded that they would look into it and follow-up with the Board.

Ms. Logan briefed the Board on the TICR tax-exempt and TICR taxable portfolios. The TICR taxable portfolio was valued at \$217.8 million and the portfolio return in the 3<sup>rd</sup> quarter was 1.2% net of fees; the benchmark returned 1.1%. The TICR tax-exempt portfolio was valued at \$191 million and the 3<sup>rd</sup> quarter return net of fees was 0.9%; the benchmark returned 0.8%.

Discussion ensued.

### **Staff Reports**

#### **Debt Management**

Janet Aylor presented the Final Financing Summary for the \$37 million Virginia College Building Authority, Educational Facilities Revenue Bonds (Public Higher Education Financing Program), Series 2019A. The 2019A Bonds will represent the thirty-second series of Bonds under the program and proceeds will be used to (i) finance the costs of specified capital projects at various public institutions of higher education in the Commonwealth of Virginia and (ii) pay costs of issuing the 2019A Bonds. The Bonds were sold competitively using electronic bidding on November 6, 2019 and will be delivered on December 4, 2019. Seven bids were received; Robert Baird won the bid.

Ms. Aylor informed the Board that no additional bonds are scheduled for issuance this year. She then reviewed the Debt Calendar as of November 1, 2019 and the leasing reports as of October 31, 2019. Ms. Aylor also informed the Board that new leases for \$1 million were provided in October for vehicles. She also informed the

Board that \$4.2 million was used to date under the Master Lease Program leaving a line of credit balance of \$30.8 million. There was no new activity in the Energy Lease Program.

### **Security for Public Deposits**

Kristin Reiter reviewed the SPDA Report for the month ended September 30, 2019. Ms. Reiter reported that one opt-out bank, Virginia Bank & Trust Company, was under collateralized for weekly reporting in September. Ms. Reiter noted that the IDC ratings were updated using IDC's 2<sup>nd</sup> quarter 2019 ratings. One opt-out qualified public depository, Bank of Fincastle, was added to the listing of banks ranked below average by IDC.

Ms. Reiter then reviewed the quarterly statistics reports. As of September 30, 2019, 91 public depositories held public deposit balances (net of FDIC) of \$7.2 billion; \$4.8 billion of these deposits were held by 30 opt-out depositories. A total of \$2.4 billion was held by 61 pooled depositories. The four largest public depositories held \$3.6 billion or 50% of total public deposit balances net of FDIC.

Ms Reiter reminded the Board that November is open election month when depositories can change their collateral method (pooled or opt-out) for the next calendar year. As of November 20, 2019, only one opt-out depository bank is requesting to return to the collateral pool.

### **State Non-Arbitrage Program**

Nelson Bush of PFM provided a report on the U.S. economy. He also shared that PFM continues to focus on cyber security and has offered several topical webinars and rolled out several new security enhancements over the past several months. PFM continues to put significant focus on participant use of Multi-Factor Authentication. All web system participants will be required to use Multi-Factor Authentication by the end of December 2019 or beginning of January 2020. PFM will notify participants of this new requirement at the beginning of December.

Mr. Bush reviewed the SNAP report as of October 31, 2019. The fund's assets were valued at \$4.5 billion. The monthly yield was 2.11%, decreasing from September's yield of 2.26%. The weighted average maturity of the fund was 43 days.

### **Investments**

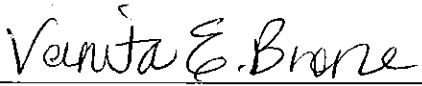
Neil Boege reviewed the Investment reports for the month ended October 31, 2019. The average yield on the Primary Liquidity portion of the General Account was 2.15%, down from September's average yield of 2.35%. The Extended Duration portion of the portfolio had a yield to maturity of 2.12%, down from September's yield to maturity of 2.16%. This resulted in the composite yield being 2.15% for the month, down from September's composite yield of 2.32%.

Mr. Boege then reported on the LGIP portfolio, which was in compliance for all measures for the month of October and was valued at \$5.5 billion. The average yield on the portfolio was 2.07%, down from September's average yield of 2.23%. The average maturity was 33 days, up five days from the previous month. Mr. Boege then reviewed the LGIP Extended Maturity portfolio. The net asset value yield to maturity was 2.21%, down from September's net asset value yield to maturity of 2.28%. The average duration was 1.13 years.

**Other Business**

Chairwoman Ganeriwala stated that the next Treasury Board meeting is scheduled for December 18, 2019. The meeting adjourned at 10:21 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Vernita E. Boone". The signature is written in dark ink and is positioned above a horizontal line.

Vernita Boone, Secretary  
Commonwealth of Virginia Treasury Board