TREASURY BOARD
COMMONWEALTH OF VIRGINIA
February 17, 2021 Meeting (Electronic)
9:00 a.m.

Meeting Minutes

Members Present:	Manju S. Ganeriwala, Chairwoman	
	Craig Burns	
	James Carney	
	Douglas Densmore	
	Luis Mejia	
	David Von Moll	
Members Absent:	Neil Amin	
Others Present:	Don Ferguson	Office of the Attorney General
	Kevin Larkin	Bank of America N.A.
	Allen Chan	Frasca & Associates
	Dianne Klaiss	Frasca & Associates
	Sonia Toledo	Frasca & Associates
	Eric Ballou	Kaufman & Canoles
	Megan Gilliland	Kaufman & Canoles
	Eric Hebert	Kaufman & Canoles
	James Johnson	The Optimal Service Group
	Bryce Lee	The Optimal Service Group
	Karen Logan	The Optimal Service Group
	Nelson Bush	PFM
	Patrick Dixon	Wells Fargo
	Janet Aylor	Department of the Treasury
	Neil Boege	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Bradley Jones	Department of the Treasury
	Laura Lingo	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Richard Rhodemyre	Department of the Treasury
	Sandra Stanley	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 called the meeting to order at 9:05 AM and Vernita Boone, Board Secretary, took roll. Manju Ganeriwala, Craig Burns, James Carney, Douglas Densmore, Luis Mejia and David Von Moll were present. Neil Amin was absent. Chairwoman Ganeriwala introduced Stuart Williams, Treasury's new Cash Management and Investments Director.

Chairwoman Ganeriwala asked if there were any changes or revisions to the November 18 meeting minutes. Mr. Densmore moved for approval of the minutes. Mr. Von Moll seconded and the motion carried as follows:

Craig Burns	Yes
James Carney	Abstained
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Louis Mejia	Yes
David Von Moll	Yes

Public Comment

None

Action Items

Resolution Approving the Plan of Finance for the Issuance by the Virginia Public Building Authority of its Public Facilities Revenue and Refunding Bonds

Bradley Jones introduced Megan Gilliland and Eric Hebert of Kaufman & Canoles and Dianne Klaiss, Allen Chan and Sonia Toledo of Frasca & Associates.

Mr. Jones presented the Preliminary Financing Summary and updated numbers as of the close of business on February 16 for the issuance of $512 million of Public Facilities Revenue Bonds, Series 2021A, to be issued as two sub-series (A-1 and A-2), and the issuance of approximately $11.1 million of Public Facilities Revenue Refunding Bonds, Series 2021B Federally Taxable. The proceeds of the 2021 Bonds will be used to finance various public facilities, to finance certain grants and regional and local jail and juvenile detention center projects, to refund certain maturities of prior bonds, and to pay for the costs of issuance of the 2021 Bonds. The Bonds will likely be sold competitively on March 9, 2021 and have an estimated delivery date of March 31, 2021. The most recent estimated all-in true interest costs are:

	Estimated TIC (February 16, 2021)
2021A-1	**0.92%**
2021A-2	**2.23%**
Aggregate 2021A	**1.81%**

2021B	**1.43%**
Aggregate 2021	**1.81%**

Discussion ensued regarding the structuring of maturities and coupons. Dianne Klaiss, Sonia Toledo and Allen Chan of Frasca & Associates, financial advisors to the Virginia Public Building Authority, provided information to address questions and provided background information as to how the bond structuring was initially determined. Discussion also ensued regarding copies of the underwriting agreement and bond purchase agreement being included in the Treasury Board meeting packet going forward.

Ms. Gilliland, bond counsel to the Virginia Public Building Authority, reviewed the Resolution. Mr. Densmore suggested an amendment to paragraph number two of the Treasury Board Resolution that further clarifies the delegation to the State Treasurer by noting that such actions by the State Treasurer are subject to the limitations set forth herein, and should be otherwise consistent with this Resolution. Mr. Carney also suggested an amendment to the paragraph number 6 to change the Resolution from being in effect for one year after adoption to being in effect for one year from the date of adoption of the resolution by the Authority (February 10, 2021). The amended Resolution is attached.

Chairwoman Ganeriwala asked for a motion to approve the resolution, as revised. Mr. Carney moved that the Resolution be adopted. Mr. Densmore seconded, and the motion carried as follows:

Craig Burns	Yes
James Carney	Yes
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Louis Mejia	Yes
David Von Moll	Yes

Board Briefing

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. Consumer spending dropped into negative territory for the first time since April 2020.

Mr. Lee briefed the Board on the General Account extended duration portfolio. The portfolio was valued at $2.0 billion and had an unrealized gain of $87 million. The portfolio return in the fourth quarter was 0.6% net of fees, with a benchmark return of 0.5%. The portfolio return for FY-to-date was 1.4% net of fees, with a benchmark return of 1.0%.

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 of 2020.

There was really strong performance this quarter. The TICR taxable portfolio was valued at $208 million and had earned income of $2.6 million FY-to-date and a total investment loss of $1.2 million. The portfolio return in the 4th quarter was 0.3% net of fees versus the benchmark return of 0.1%. The TICR tax-exempt portfolio was valued at $188 million, earned income of $2.1 million FY-to-date and had a total investment gain of $4.1 million. The 4th quarter return net of fees was 1.1% net of fees, with a benchmark return of 0.9%.

Mr. Lee reported that with the help of Treasury, they were able to deploy additional funds in the amount of $500 million from Primary Liquidity to the EDCP portfolio. They also revisited the fee schedules with portfolio managers and with four of the five managers, they were able to negotiate an additional lower rate fee in addition to last year's reduced rate. Other public entities are also able to benefit from this approximately $240,000 savings. In addition, they were able to rebalance portfolios in January.

Staff Reports

Debt Management

Janet Aylor reviewed the Debt Calendar as of February 1, 2021 and the leasing reports as of January 31, 2021. Ms. Aylor also informed the Board that $17.8 million was used to date under the Master Lease Program leaving a line of credit balance of $42 million. Approximately $10.8 million was used to date under the Energy Lease Program leaving a line of credit balance of approximately $29.2 million. Ms. Aylor then reviewed the Final Financing Summary for a bond sale from earlier this year.

Ms. Aylor reported that the Governor introduced a bill to amend 1992 legislation that authorizes refunding of 9(c) bonds. The passage of this legislation will allow Treasury to move forward with the proposed debt restructuring plan to provide debt service relief to institutions of higher education. The plan is to shift principal payments due on outstanding 9(c) debt in June 2021 and 2022 to two years beyond current maturity dates. The bill is currently awaiting passage of the second house. The bill has an emergency clause which makes it effective immediately upon the signature of the Governor. We expect the restructuring bonds to be sold in April or May so that debt service relief will be realized before the next principal payment is due June 1.

Security for Public Deposits

Kristin Reiter reviewed the SPDA Report for the month ended December 31, 2020. Ms. Reiter reported that five banks were under collateralized in December, mainly because they received larger than expected deposits during the month. Ms. Reiter noted that Miners Exchange Bank was undercollateralized for most of December before pledging additional collateral in January. A letter was sent to Miners Exchange Bank addressing the Treasury Board's concern that the undercollateralization was not identified nor corrected timely.

Shore United Bank became a new qualified public depository in December. Shore United Bank has one branch bank in the Eastern Shore of Virginia. Ms. Reiter further reported that two pooled banks (CornerStone Bank, N.A. and New Horizon Bank, N.A.) were ranked below average based on IDC's 3rd Quarter 2020 ratings.

Ms. Reiter provided a summary of the quarterly statistical reports for December. At December 31, 2020, 87 public depositories held public deposit balances (net of FDIC) of $9.6 billion. Twenty-seven opt-out depositories held public deposits totaling $6.3 billion; 60 pooled depositories held public deposits of $3.3 billion. The four public depositories holding the largest public deposit balances held $5.8 billion or 60% of total public deposit balances.

Discussion ensued regarding the number of banks that were undercollateralized in December 2020 and the length of time before the banks pledged additional collateral to correct the undercollateralization. Security for Public Deposits Act (SPDA) staff believe the high number of undercollateralizations in December was an isolated occurrence, but will monitor the situation going forward, noting that the Treasury Board can take additional action against banks that are undercollateralized if the Board believes it is necessary based on each bank's individual circumstances.

Ms. Reiter reported that the formal regulatory process to revise the SPDA Regulations had begun. Ms. Reiter reminded the Treasury Board that in August 2020, the Board had authorized the State Treasurer to begin the amendment process. Significant changes were made to *Code of Virginia* §2.2-4400 et seq., which establishes the SPDA, between 2008 and 2010, primarily establishing another method to collateralize Virginia public deposits – the opt-out method. The Regulations have not been updated to reflect these changes. The Regulations were last updated in 1993. In order to be in synch with the revised *Code* sections and current SPDA practices and procedures, the Regulations are now being amended. Additionally, a few changes to strengthen the SPDA Program will be included. A notification of the intent to update the SPDA Regulations has been approved by the Governor's Office. A notification to this effect will be posted on Virginia's Town Hall website on March 15th. This notification alerts interested parties that the Treasury Board is beginning the process to amend the Regulations. Interested parties will have 30 days to provide comment. During Phase II of the amendment process, a proposed draft of the amended Regulations will be available for review on the Town Hall. In addition, the Board will provide a copy of the proposed draft to interested parties for comment.

State Non-Arbitrage Program

Nelson Bush provided comments on the current market. The gross domestic product expanded slightly below expectations at an annual rate of 4.0% in the fourth quarter, according to the U.S. Bureau of Economic Analysis' first estimate. Economic activity in the fourth quarter of 2020 was expected to slow significantly form the third quarter's annualized increase of 33.4% due to a "natural" moderation after the record surge. For the full year of 2020, U.S. GDP contracted at a 3.5% annualized rate, the worst on record since 1946. The Federal Reserve, in line with expectations, announced that it will keep its target rate and current pace of asset purchases unchanged. The unemployment rate fell to 6.3% from 6.7% due to a decrease in the labor force participation rate that edged a bit lower to 6.4%.

Mr. Bush then reviewed the SNAP report as of January 31, 2021. The fund's assets were valued at approximately $5.08 billion. The monthly distribution yield was 0.15%, unchanged from December's yield of 0.15%. The weighted average maturity of the fund was 50 days.

Investments

Mr. Boege reviewed the Investment reports for the month ended January 31, 2021. The general account composite yield to maturity was 0.41%, one basis point lower than in December.

Mr. Boege then reported on the LGIP portfolio, which was in compliance for all measures for the month of January and was valued at approximately $8.2 billion. The average yield on the portfolio was 0.17%, unchanged from the prior month, and the average maturity was 44 days. Mr. Boege then reviewed the LGIP Extended Maturity portfolio. The net asset value yield to maturity was 0.52%, five basis points lower than December. The average maturity was 0.83 years.

Other Business

Chairwoman Ganeriwala stated that the next Treasury Board meeting is tentatively scheduled for March 17, 2021. The meeting adjourned at 10:43 AM.

Attachment

Respectfully submitted,

Vernita E. Boone

Vernita Boone, Secretary
Commonwealth of Virginia Treasury Board

Attachment

RESOLUTION APPROVING PLAN OF FINANCE FOR THE ISSUANCE BY THE VIRGINIA PUBLIC BUILDING AUTHORITY OF ITS PUBLIC FACILITIES REVENUE [AND REFUNDING] BONDS, AND DELEGATING AUTHORITY TO THE STATE TREASURER TO APPROVE THE FINAL TERMS AND STRUCTURE OF THE BONDS

WHEREAS, the Treasury Board (the "Treasury Board") of the Commonwealth of Virginia (the "Commonwealth") is required pursuant to Section 2.2-2416(7) of the Code of Virginia of 1950, as amended (the "Code"), to approve the terms and structure of proposed bond issues by or for the benefit of state agencies, boards and authorities where the debt service payments on such bonds are expected to be so made, in whole or in part, from appropriations of the Commonwealth;

WHEREAS, the Virginia Public Building Authority Act of 1981, as amended, authorizes the Virginia Public Building Authority (the "Authority") to finance certain projects authorized by the Virginia General Assembly (the "General Assembly") from time to time for the use of or that benefit the Commonwealth, its agencies and instrumentalities, and to refund bonds previously issued by the Authority;

WHEREAS, under the terms of a Payment Agreement, dated as of April 15, 1997 (the "Payment Agreement"), between the Authority and the Treasury Board, the debt service on the Bonds (as defined herein), and all other bonds of the Authority issued under the Indenture, as defined therein, will be paid primarily from revenues and receipts derived from general fund appropriations made by the General Assembly to the Treasury Board and transferred to the Authority under the terms of the Payment Agreement;

WHEREAS, by resolution adopted on February 10, 2021, the Authority has determined to issue its Public Facilities Revenue [and Refunding] Bonds, in one or more series or sub-series with appropriate year and series designations and from time to time (collectively, the "Bonds"), to (i) finance the acquisition, construction, improvement, rehabilitation, furnishing and equipping of various public facilities for use by the Commonwealth and its agencies, (ii) finance the Commonwealth's payment of the costs of certain grants and of regional and local jail and juvenile detention facility projects (clauses (i) and (ii) are collectively referred to in this Resolution as the "Projects"), (iii) if and when market conditions warrant, refund certain maturities of bonds previously issued by the Authority (any or all of such previously issued bonds are "Prior Bonds"), and (iv) pay costs of issuance of the Bonds, or any combination of the foregoing (Bonds issued to fund the purposes of clauses (i), (ii) and (iv) are referred to in this Resolution as "New Money Bonds" and Bonds issued for the purposes in clauses (iii) and (iv) are referred to in this Resolution as "Refunding Bonds");

WHEREAS, a determination will be made closer to the time the Authority enters into the capital markets whether to offer and sell some or all of the Bonds pursuant to competitive bidding or negotiated sale, based on then-existing capital market or other economic and financial conditions, and considering the advice of the Authority's financial advisor;

WHEREAS, the plan of finance proposed by the Authority and the proposed terms and structure of the Bonds are described in a draft of the Preliminary Official Statement for the Bonds (the "Preliminary Official Statement") and a Preliminary Financing Summary (the "Financing Summary"), attached hereto as ***Attachment A***, copies of which have been presented at this meeting to the members of the Treasury Board;

WHEREAS, on March 12, 2020, Governor Northam issued Executive Order Fifty-One declaring a state of emergency pursuant to Section 44-146.17 of the Code to help the Commonwealth better respond to the threat posed by the COVID-19 virus pandemic;

WHEREAS, the reconvened session of the 2020 Virginia General Assembly adopted amendments to the budget bill proposed by Governor Northam allowing any public body, including any state, local, regional or regulatory board, to meet by electronic communication means without a quorum of the public body or any member of the governing body physically assembled at one location when the Governor has declared a state of emergency in accordance with Section 44-146.17 of the Code provided (i) the nature of the declared emergency makes it impracticable or unsafe for the public body or governing board to assemble in a single location; (ii) the purpose of the meeting is to discuss or transact the business statutorily required or necessary to continue operations of the public body and the discharge of its lawful purpose, duties and responsibilities; (iii) the public body makes available a recording or transcript of the meeting on its website in accordance with certain time frames set forth in Sections 2.2-3707 and 2.2-3701.1 of the Code; (iv) public notice, where required, is given using the best available method given the nature of the emergency; (v) arrangements are made for public access to the meeting through electronic means, and if the means of communication allow, to provide an opportunity for public comment; and (vi) the minutes of the meeting specify the nature of the emergency, the fact that the meeting was held by electronic communications and the type of electronic communications by which the meeting was held;

WHEREAS, the nature of the Governor's declaration of emergency arising from the COVID-19 pandemic and related social distancing measures implemented by the Governor to mitigate the spread of COVID-19 make it impracticable or unsafe for the Treasury Board to assemble in a single location to meet;

WHEREAS, the Treasury Board is meeting to discuss and transact the business of the Treasury Board, which is to approve the issuance and sale of the Bonds, and the Treasury Board deems it necessary to meet by electronic communications without physical assembly of members of the Treasury Board; and

WHEREAS, accommodations have been made for public notice of, and public access to, the meeting as required by the aforementioned electronic meeting requirements.

NOW, THEREFORE, BE IT RESOLVED BY THE TREASURY BOARD OF THE COMMONWEALTH OF VIRGINIA THAT:

1. The plan of financing proposed by the Authority for the issuance of the Bonds and their terms and structure, as outlined in the Preliminary Official Statement and the Financing Summary presented at this meeting consistent with this Resolution as may be revised by the Authority and Treasury staff, including without limitation, to reflect the offering and sale of one or more series of Bonds pursuant to negotiated sale, is hereby approved, subject to final approval by the State Treasurer of the Commonwealth (the "State Treasurer") pursuant to Section 2 of this Resolution.

2. Pursuant to Section 2.2-2416(9) of the Code, the Treasury Board deems it proper and delegates to the State Treasurer the authority to act for and on behalf of the Treasury Board and take such action as the State Treasurer, in the State Treasurer's discretion, may deem necessary and appropriate, subject to the limitations set forth herein, and otherwise consistent with this Resolution, in connection with (i) the issuance and sale of the Bonds from time to time by the Authority, including approval of the manner of sale of the Bonds in one or more series through either a competitive or negotiated sale or a combination of both and selection of Underwriters and the issuance of one or more series of Bonds [the interest on which will be includable in gross income of the holders thereof for federal tax purposes], if applicable, (ii) the determination based on capital market, financial and economic conditions whether to proceed with the refunding of any Prior Bonds from time to time and in furtherance thereof, to determine which outstanding bonds previously issued under the Master Indenture are to be Prior Bonds, the related redemption dates and the specific maturities of Prior Bonds to be refunded, if any, provided that the refunding of Prior Bonds achieves the overall debt service savings set forth below, and (iii) the approval of the Authority's issuance of the Bonds, the plan of finance for the Bonds as set forth in the Financing Summary and the final terms and structure of the Bonds; *provided, however,* that:

(a) (i) the aggregate stated principal amount of the New Money Bonds shall not exceed \$650,000,000, whether issued as federally tax-exempt bonds, taxable bonds or a combination of both;

(ii) the final stated maturity of the New Money Bonds is not later than August 1, 2041;

(iii) the "true" interest cost of any series of the New Money Bonds shall not exceed (A) 3.50% for New Money Bonds issued on a taxable basis, or (B) 3.0% for New Money Bonds issued on a tax-exempt basis, taking into account original issue discount or premium, if any;

(iv) if sold through a competitive sale, the New Money Bonds shall be sold at a price not less than (A) 99.0% of the aggregate principal amount thereof for the New Money Bonds issued on a taxable basis, or (B) 98.0% of the aggregate principal amount thereof for the New Money Bonds issued on a tax-exempt basis; and

(v) if sold through a negotiated sale, the New Money Bonds shall not be sold to the Underwriters with an underwriter's discount in excess of 1.0% of their aggregate principal amount; and

(b) (i) the aggregate stated principal amount of any Refunding Bonds shall not exceed $12,000,000, whether issued as federally tax-exempt bonds, taxable bonds or a combination of both;

(ii) the final stated maturity of any Refunding Bonds shall not be later than the final maturity of the related Prior Bonds;

(iii) the "true" interest cost of any series of Refunding Bonds shall not exceed 3.0% for the Refunding Bonds, taking into account original issue discount or premium, if any;

(iv) if sold through a competitive sale, any Refunding Bonds shall be sold at a price not less than 99.0% of the aggregate principal amount thereof for the Refunding Bonds;

(v) if sold through a negotiated sale, any Refunding Bonds shall not be sold to the Underwriters with an underwriter's discount in excess of 1.0% of their aggregate principal amount; and

(vi) the issuance of the Refunding Bonds shall achieve an overall net present value savings of at least 3.0% of the aggregate principal amount of the related Prior Bonds.

3. The Treasury Board ratifies and confirms the Payment Agreement.

4. The State Treasurer is authorized to take such further actions as necessary to carry out the purposes and intent of this Resolution, including the approval and execution of a continuing disclosure agreement in respect of the Commonwealth's obligations as an "obligated person," within the meaning of SEC Rule 15c2-12, with respect to the Bonds.

5. The Treasury Board confirms the findings and determinations contained in the recitals to this Resolution setting forth the reason for the need to meet by electronic means without requiring board members to physically assemble at one location during the current declared state of emergency by the Governor of the Commonwealth arising from COVID-19.

6. This Resolution shall take effect immediately upon its adoption, and the authority to issue the Bonds pursuant to this Resolution shall be in effect for one year from the date of adoption of the resolution by the Authority (February 10, 2021).