TREASURY BOARD
COMMONWEALTH OF VIRGINIA
June 16, 2021 Meeting (Electronic)
9:00 a.m.

Meeting Minutes

Members Present:	Manju Ganeriwala, Chairwoman	
	Craig Burns	
	Douglas Densmore	
	Luis Mejia	
	David Von Moll	
Members Absent:	Neil Amin	
	James Carney	
Others Present:	Don Ferguson	Office of the Attorney General
	David Prasnicki	V.M.I. Alumni Agencies Board
	Grayson Smith	Auditor of Public Accounts
	Kevin Larkin	Bank of America N.A.
	Kevin Balaod	Journalist Fundmap
	Markita Heard	JP Morgan
	Fred Vosburgh	JP Morgan
	T.W. Bruno	McGuire Woods
	Bryce Lee	The Optimal Service Group
	Karen Logan	The Optimal Service Group
	Nelson Bush	PFM
	Sean Ekiert	Raymond James
	Jason Powell	Senate Finance Committee
	Chris Whyte	Vectre
	Patrick Dixon	Wells Fargo
	Neil Boege	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Kathy Foote	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
	David Swynford	Department of the Treasury
	Michael Tutor	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 9:01 AM and Vernita Boone, Board Secretary, took roll. Douglas Densmore, Manju Ganeriwala, Luis Mejia and David Von Moll were present. Neil Amin and James Carney were absent.

Chairwoman Ganeriwala shared that the Governor's state of emergency expires at the end of June and as such, after June 30, as a public Board, we do not have the ability to meet virtually. We must have an in-person quorum and meet in-person beginning with our July meeting.

Chairwoman Ganeriwala asked if there were any changes or revisions to the April 14, 2021 meeting minutes. Mr. Von Moll moved for approval of the minutes. Mr. Densmore seconded and the motion carried unanimously as follows:

Craig Burns	Yes
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Luis Mejia	Yes
David Von Moll	Yes

Public Comment

None

Action Items

Resolution Approving the Plan of Finance for the Issuance and Sale of Refunding Bonds for the Benefit of Virginia Military Institute by the Industrial Development Authority of the City of Lexington

Bradley Jones introduced David Prasnicki, CFO, V.M.I. Alumni Agencies Board; Sean Ekiert, Managing Director, Raymond James; and T.W. Bruno, Partner, McGuire Woods LLP. Mr. Jones also welcomed interns who are working with McGuire Woods LLP. Mr. Jones presented the Preliminary Financing Summary for the issuance of approximately $24 million of Educational Facilities Revenue Refunding Bonds (V.M.I. Alumni Agencies), Series 2021. He noted this is the Foundation's and the Alumni Agencies Board's borrowing and it is not a VMI obligation, nor does VMI have a support agreement, lien on facilities or other obligation with the borrowers to support this loan. This borrowing is for the purpose of currently refunding the 2036 maturity of the IDA's outstanding Educational Facilities Revenue Refunding Bonds (VMI Development Board, Incorporated Project), Series 2016 to achieve debt service savings, and to finance costs of issuance related to the transaction. This transaction is coming before the Treasury Board because the original financing was to benefit the VMI facilities and the previous transactions had come before the Treasury Board.

This sale is planned to be negotiated with a closing estimated in mid-July. The refunding bonds will be structured to match the existing structure and are expected to have a call date of 2031 and at that time the borrowers will either be able to take action or let the bonds come due as a bullet in 2036. The projected true interest cost ("TIC") as of June 1, 2021 is 2.24% and the estimated Net Present Value Savings is $2,677,000 or 10.36%. There is a minimum refunding savings threshold of 3.00% required to proceed with the transaction.

Mr. Densmore asked about the Treasury Board's jurisdiction to look at this transaction in its original form since it is very similar to the University of Mary Washington (UMW) transaction that we did not have jurisdiction over that was discussed at our April 2021 meeting. Mr. Jones responded that in the case of UMW, that transaction involved a facility that was owned by the Foundation (not UMW), while this transaction involved facilities that VMI actually owns. T.W. Bruno further clarified that they looked at the term "benefit" in the statute. In this instance, the project benefits the institution and here, VMI owns the assets. Chairwoman Ganeriwala added that in the case of UMW, when the Foundation issued that debt, the University did not have a financial obligation. The UMW had a support agreement that required it to send students to the foundation-owned dorm up to 95% capacity. Sean Ekiert further expanded on the difference in the two transactions.

Mr. Bruno reviewed the Resolution Approving the Plan of Finance for the Issuance and Sale of Refunding Bonds for the Benefit of Virginia Military Institute by the Industrial Development Authority of the City of Lexington, Virginia and Delegating to the State Treasurer the Authority to Approve the Final Terms and Structure of Bonds.

Chairwoman Ganeriwala asked for a motion to approve the Resolution. Luis Mejia moved that the Resolution be adopted. Craig Burns seconded, and the motion carried unanimously as follows:

Craig Burns	Yes
Manju Ganeriwala	Yes
Douglas Densmore	Yes
Luis Mejia	Yes
David Von Moll	Yes

Update Policies for the Selection of Investment Management Services

Stuart Williams presented an update on the Policies and Procedures for the Selection of Investment Management Services. These policies and procedures govern Treasury's selection of investment management services and is being presented for Treasury Board re-approval since its first approval in 1999. The only change is the Code reference. We are authorized by statute to put this document into place with approval from the Treasury Board and the Department of General Services. The Department of General Services (DGS) has approved this document and is comfortable with having it in place. Chairwoman Ganeriwala stated that we need this in writing because DGS gives us an exemption from the normal procurement processes.

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

Craig Burns	Yes
Manju Ganeriwala	Yes
Douglas Densmore	Yes
Luis Mejia	Yes
David Von Moll	Yes

Board Briefings

Optimal Services Group of Wells Fargo Advisors Briefing on the 1st Quarter Performance Reports for the Extended Duration Credit Portfolio and TICR Investment Portfolio

Bryce Lee provided a market update to the group. Though 2020 GDP fell 3.5%, the Federal Reserve expects GDP to grow by 6.5% this year, an approximate 55% increase from their projections in December. Inflation expectation increased significantly which drove interest rates higher and fixed income returns for the quarter. The Feds believe for now that this is a transitory problem and will be temporary. The five-year treasury break-even rate increased 2.7% in May – the highest it has been in 13 years.

Mr. Lee briefed the Board on the General Account extended duration portfolio. The first calendar quarter ended down 2%, matching the benchmark. For FYTD, the portfolio was down 70 basis points, but outperformed the benchmark by 30 basis points. April and May have seen a slight bounce back in interest rates. As a reminder, back in January, about $500 million was added to the managers. Management fees were negotiated and lowered with help from the Treasury staff and the managers.

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 1st quarter.

The TICR Taxable Total Portfolio declined 1.4% which trailed the benchmark by 0.1%. For the fiscal year period, the portfolio outpaced its benchmark by 0.2%, but still posted a loss of 0.6%.

The TICR Tax-Exempt Total Portfolio lost 0.7% for the first quarter which underperformed the benchmark by 30 basis points. The fiscal year did end in positive territory. This is the last quarter that we will see BlackRock in IRM. In April, we consolidated these managers and going forward, IRM will be the only manager in tax-exempt portion. The positions that were with BlackRock will transition over to IRM. Chairwoman Ganeriwala reported that this portfolio has been declining. The Tobacco Commission has been drawing down money at the rate of 15% each year.

Staff Reports

Debt Management

Mr. Jones reviewed the Debt Calendar as of June 1, 2021 and the leasing reports as of May 31, 2021. Mr. Jones informed the Board that several new deals are scheduled for the Virginia Housing Development Authority and Virginia Resources Authority. These deals will not come before the Treasury Board. There will likely be a July Treasury Board meeting regarding a potential Department of Transportation issue.

Mr. Jones informed the Board that new leases for $671,677 were provided in May for vehicles and approximately $20.5 million was used to date under the Master Equipment Leasing Program, Contract TB#20-4012, leaving a line of credit balance of approximately $40 million. Mr. Jones informed the Board that there was no activity in the Energy Lease Program in May. The line of credit balance is approximately $21 million.

Mr. Jones then reviewed the Final Financing Summary for approximately $537 million of Virginia College Building Authority Educational Facilities Revenue Bonds, Series 2021A (21st Century College and Equipment Programs). This was to fund capital projects and equipment for higher educational institutions. This was sold through a competitive bid process and they closed on June 9, 2021. The winning bid came in at 1.774910%. Chairwoman Ganeriwala commented that this was an amazing outcome.

Mr. Jones then reviewed the Final Financing Summary for approximately $61 million of Virginia Public School Authority School Technology and Security Notes Series IX. The proceeds of the Notes are used to make grants to establish a computer-based instructional and testing system for the Standards of Learning and to develop the capability for high speed Internet connectivity at schools and to help offset the costs associated with the purchase of security equipment. The sale date of the Notes was April 27 with a closing date of May 13, 2021. A competitive auction (Grant Street) was used for the sale. Treasury Board and VPSA members were invited to observe the transaction. The winning bidder ended up at a 0.319% TIC, which is half of what was initially estimated.

Mr. Jones reported on the Virginia College Building Authority's transaction on June 15 through its Pool Program for the benefit of UMW. The transaction was very successful. The Final Financing Summary for this transaction will be included in next month's Treasury Board meeting packet. The par amount came in just under $82.74 million. We received just under $13 million of premium. The purpose was to acquire two student housing units and parking structure. The acquisition cost of $97 million broke out to $74.4 million of bond defeasance, $21.9 million for swap termination, and $640,000 of transaction costs on UMW's side. There is a closing date of June 29, 2021. This was sold competitively. The winning bidder was Bank of America Merrill Lynch at a TIC of 2.1697%. We were able to assist with negotiating the swap termination fee and we were able to help save just over $32,000 for the University.

Chairwoman Ganeriwala expressed appreciation to the Treasury Board members, staff, counsel and others for their guidance and support on this matter.

Security for Public Deposits

Kristin Reiter reviewed the SPDA Report for the month ended April 30, 2021. Ms. Reiter reported that one bank was undercollateralized (FVCbank) in April. They were undercollateralized by $3,850,918 due to an increase in deposits that occurred on April 20, 2021. Additional collateral was pledged on May 10, 2021 to cover the shortage. The undercollateralization was due to staff turnover that resulted in public deposit balances not being monitored as closely as they should have been. There was one bank merger of two pooled banks; Fauquier Bank merged into Virginia National Bank. The combined bank will have assets of $1.78 billion and hold approximately $38 million in public deposits.

Ms. Reiter reported that IDC's 4th quarter 2020 ratings were still being used in April.

Mr. Densmore asked if there is any penalty associated with FVCbank waiting 20 days to correct the bank's collateral deficiency. Mr. Reiter answered that pooled banks can be undercollateralized three times in a twelve-month period and if undercollateralized again they must come before the Treasury Board. The Treasury Board can take action against them for their frequent undercollateralization. It was decided that staff would develop procedures/guidelines to address this matter. Chairwoman Ganeriwala stated that we may be able to include something in the SPDA Regulations that are currently being revised.

State Non-Arbitrage Program

Mr. Bush provided comments on the current market. Yields continue to be painfully low. There have been signs of inflation. Credit spreads are narrow.

Mr. Bush then reviewed the SNAP report as of May 31, 2021. The fund's assets were valued at approximately $4.92 billion. The monthly distribution yield was 0.09% in May, lower than April's yield of 0.11%. At the end of May, the seven-day average yield was 0.08%, lower than April's seven-day average yield of 0.11%. The weighted average maturity of the fund was 56 days.

Chairwoman Ganeriwala echoed Mr. Bush's concerns with the market.

Investments

Neil Boege shared that market conditions are difficult with American Recovery Plan funds flooding the market and limited investment options.

Mr. Boege reviewed the Investment reports for the month ended May 31, 2021. The General Account composite yield to maturity was 0.37%, six basis points lower from April.

Mr. Boege then reported on the LGIP portfolio, which was in compliance for all measures for the month of May. The average yield on the portfolio was 0.12%, one basis point lower than April, and the average maturity was 56 days. Mr. Boege then reviewed the LGIP Extended Maturity portfolio. The net asset value yield to maturity was 0.32%, one basis lower than April's. The average maturity is stable at just over one year.

Chairwoman Ganeriwala stated that this is a challenging environment for the investments team. Mr. Burns commented that revenue collection is expected to exceed $1 billion.

Other Business

Chairwoman Ganeriwala stated that the next Treasury Board meeting is scheduled for July 28, 2021. At this time, we do expect to have action items for the month of July. Chairwoman Ganeriwala will let the Board know if this changes. The meeting adjourned at 10:07 AM.

Respectfully submitted,

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Vernita Boone, Secretary
Commonwealth of Virginia Treasury Board