

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

October 12, 2022

9:00 a.m.

Treasury Board Room – 3rd Floor
James Monroe Building
101 N. 14th Street, 3rd Floor
Richmond, Virginia

Members Present: David L. Richardson, Chairman
Randy McCabe
Charles King
Dr. Joshua Weed

Members Absent: Commissioner Craig Burns
Neil Amin
James Carney

Meeting Guests:	Don Ferguson	Office of the Attorney General
	Nelson Bush	PFM Asset Management LLC
	Liang Shan	PFM Asset Management LLC
	JoAnne Carter	PFM Asset Management LLC
	Leslie English	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	Brad Jones	Department of the Treasury
	Richard Rhodemyre	Department of the Treasury
	Vernita Boone	Department of the Treasury
	Stuart Williams	Department of the Treasury
	Jay Mahone	Department of the Treasury
	David Swynford	Department of the Treasury
	Scott Fleming	VASNAP
	Kyle Jones	VASNAP
	Daniel Hess	VASNAP
	Janet Lee	Public Resources Advisory Group
	Christine Illarina	Public Resources Advisory Group
	Chris Banta	Brown Edwards
	Laura Farmer	VDOT
	Wendy Thomas	VDOT
	Misty Upson	VDOT
	JoAnne Carter	VDOT
	George Scruggs	Kutak Rock, LLP
	Markita Heard	JP Morgan Chase
	Eric Ballou	Kaufman & Canoles, P.C.
	Megan Gilliland	Kaufman & Canoles, P.C.
	Patrick Dixon	WellsFargo

Mark Burns
Bryce Lee
Karen Logan
Michael Tweedy

Wells Fargo
Optimal Service Group
Optimal Service Group
State Finance & Appropriations

Call to Order and Approval of Minutes

Chairman Richardson welcomed the Board members and called the meeting to order at 9:00 a.m.

Chairman Richardson asked if there were any changes or revisions to the minutes of the August 17, 2022 meeting. No changes were noted. Chairman Richardson asked for a vote of approval of the minutes. Charles King moved for approval, Dr. Joshua Weed seconded, and the motion carried unanimously.

Public Comment – None

Action Item

Resolution Approving the Issuance of the Commonwealth of Virginia General Obligation Bond, Series 2022A.

Leslie English introduced Megan Gilliland and Eric Ballou of Kaufman & Canoles, P.C., and Janet Lee and Christine Illarina of Public Resources Advisory Group. Ms. Gilliland covered applicable sections of the Virginia Constitution, which provides for the issuance of debt, a Constitutional Debt Summary and discussed the 9(c) General Obligation Bond Approval Process. Ms. English presented the Preliminary Financing Summary for the Issuance and Sale of the Commonwealth of Virginia General Obligation Bonds, Series, 2022A in the amount of \$90,970,000. The proceeds of the Bonds will be used to (i) finance certain revenue producing capital projects at a higher educational institution of the Commonwealth (ii) finance construction period interest on such capital projects, and (iii) pay costs of issuing the Bonds. The Bonds are scheduled to price competitively on October 26, 2022 at an estimated true interest cost of 4.054051% with an anticipated delivery date of November 16, 2022.

Megan Gilliland from Kaufman & Canoles, P.C., bond counsel to the Treasury Board, reviewed the Resolution.

Chairman Richardson asked for a motion to approve the Resolution. Randy McCabe moved that the Resolution be approved. Charles King seconded, and the motion carried unanimously.

Board Briefings

PFM Asset Management LLC's Presentation of the SNAP Fund Annual Report

Dan Hess, Managing Director of PFM Asset Management LLC, provided an overview of the Virginia State Non-Arbitrage Program's (SNAP) Fund Annual Report and indicated it was a

good year for the program. The audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial statements discussed in the Annual Report present, in all material aspects, the financial position of the Virginia State Non-Arbitrage Program (SNAP) and the changes in its net position for the year then ended which are in conformity with accounting principles generally accepted in the United States of America. Total assets at June 30, 2022 were \$5,662,654,619, up from \$4,825,187,319 in 2021.

SNAP Program Audit Report for FY2022

Chris Banta, Partner and Manager of Brown Edwards and Local Government business reviewed the SNAP Program Audit Report for FY 2022. Mr. Banta provided an overview of the plan and its scope. He discussed the responsibilities with regard to the financial statement audit as well as observations arising from the audit that are significant and relevant to the Treasury Board's responsibility to oversee the financial reporting process. He also reviewed required communications. Mr. Banta reviewed the summary of significant accounting estimates. There were no issues found.

Chairman Richardson asked for a motion to approve the Virginia State Non-Arbitrage Program - SNAP Fund Portfolio Annual Report and Independent Auditor's Report. Dr. Joshua Weed moved the Board to accept the reports. Charles King seconded, and the motion carried unanimously.

VDOT I-81 Corridor Program and TIFIA Overview

Laura Farmer with the Virginia Department of Transportation provided an overview of the I-81 Corridor Program (the "I-81 Program"). The I-81 Program is funded by regional fuels taxes and an allocation through the Interstate Operations and Enhancement Program (IOEP). Public debt issuances and borrowings through the Transportation Infrastructure Finance and Innovation Act ("TIFIA") Program are planned. Debt service will be funded by regional fuels taxes, while any remaining fuels taxes and monies generated from the IOEP will support additional cash funding of capital projects. Ms. Farmer noted that while \$1 billion of bonds were authorized for the program, the current structure will allow for the completion of nearly \$2.7 billion of projects. JoAnne Carter and Liang Shan, both of PFM Financial Advisors LLC, and George Scruggs of Kutak Rock, all advisors to VDOT, reviewed the debt issuance plans, the TIFIA program, and the lien structure. It was noted that the briefing is being provided in advance of a request for Treasury Board approval next month to allow for entering into regular and rural TIFIA loans. The VDOT team reviewed the anticipated request that will be presented and explained the likely parameters that will be included in the resolution.

Staff Reports

Debt Management

Bradley Jones reviewed the Debt Calendar as of October 1, 2022. Mr. Jones also reviewed the leasing reports as of September 30, 2022. He noted that that the Commonwealth recently entered into a new contract for the Master Equipment Lease Program ("MELP"), but there are two

reports included in the package since the prior contract is still incurring drawdowns on commitments of funds provided during the contract term. He noted there was a drawdown of \$425,000 from the prior MELP contract, which left the balance at \$57.8 million. He also noted that there was a drawdown of \$123,670 from the new MELP contract, which left that balance at \$39.9 million. He noted that there was a drawdown of \$1,192,387 from the Virginia Energy Leasing Program, which left a remaining balance of \$37.3 million.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits Report (SPDA) for the month ending August 31, 2022. No depositories were under-collateralized for the month of August. First Carolina Bank became a new pooled depository in August. IDC ratings were received and updated in August 2022. We are now using IDC 2nd quarter ratings. Blue Grass Valley Bank is no longer ranked below average. Depository will be removed from listing if rating is average or above on 3rd Quarter 2022 IDC report. Trustar Bank was added to the list of depositories ranked below average in August; and, the Bank's collateral requirement was increased to 100% of its public deposit balances. Ms. Reiter also reviewed the monthly compliance statistics reports. It was noted that MVB Bank, Inc. had reported its public deposit balances and collateral to the Board late 10 out of the last 16 times reports were due. Discussion ensued. Recommendations were made that the Bank be reminded that the Board can take disciplinary action against the Bank for continued late reporting.

State Non-Arbitrage Program

Nelson Bush of PFM Asset Management reviewed the SNAP report as of September 30, 2022. Mr. Bush provided market commentary. The overall consumer price index (“CPI”) jumped by 8.3% year over year in September, down from 8.5% year over year in August. The SNAP monthly distribution yield was 2.67% in September. At the end of September, the seven-day average yield was 3.06% up from August’s seven-day average yield of 2.40%. The weighted average maturity and weighted average life of the portfolio were 21 to 66 days. Mr. Bush indicated inflation was high in the US economy, gasoline and energy prices fell sharply however rent increased, the most since 1991, and food has continued to rise approximately 1% per month. The Program assets as of September 30, 2022, were \$5.4 billion.

Investments

Neil Boege provided a summary of the investment portfolios. In mid-September, the FOMC raised policy rates to a range of 3.00% to 3.25% as had been widely expected, driving yields higher in the internally managed Primary Liquidity and LGIP portfolios. Assets of portfolios under management moved slightly higher over the month as higher-than-expected tax revenues offset tax rebate checks and normal seasonal downward trends.

The average yield on the composite of the Primary Liquidity portfolio and the longer duration, externally managed portfolio increased 40 basis points to 2.65%, driven by the higher rates environment.

Mr. Boege then reviewed the LGIP portfolios. Both the LGIP and LGIP Extended Maturity (EM) portfolios were in compliance with all material guidelines for the month of September. The average gross yield on the LGIP portfolio was 2.62%, 39 basis points higher than August, driven by firming US monetary policy rates. The average maturity of the LGIP portfolio increased to 39 days, from the previous month of 32 days. The EM portfolio yield increased 37 basis points to 1.90% while fund duration remained stable under 1 year-to-maturity.

Dr. Weed posed a number of questions to Mr. Boege regarding the external managed portfolio. Discussion ensued.

Other Business

The meeting adjourned at 10:54 a.m.

Respectfully submitted,

Yvonne Scruggs, Secretary
Commonwealth of Virginia Treasury Board