

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

February 25, 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  
Craig Burns  
James Carney  
Douglas Densmore  
Lou Mejia  
David Von Moll

Members Absent: Neil Amin

Others Present:

Don Ferguson	Office of the Attorney General
Katie Collins	Auditor of Public Accounts
Matt Bowen	Bank of America
Scott Detar	Bank of America
Kevin Larkin	Bank of America
Peyton Stroud	Kaufman and Canoles
Markita Heard	JP Morgan
James Johnson	Optimal Service Group
Bryce Lee	Optimal Service Group
Karen Logan	Optimal Service Group
Kathleen Bowe	PFM
JoAnne Carter	PFM
Sarah McCoy	Virginia Port Authority
Rodney Oliver	Virginia Port Authority
Page Allen	Wells Fargo
Patrick Dixon	Wells Fargo
Janet Aylor	Department of the Treasury
Neil Boege	Department of the Treasury
Sherwanda Cawthorne	Department of the Treasury
Leslie English	Department of the Treasury
Tracey Edwards	Department of the Treasury
Laura Lingo	Department of the Treasury
Jay Mahone	Department of the Treasury
Kristin Reiter	Department of the Treasury
David Swynford	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 9:07 a.m. She informed the Board about her trip to Mexico as part of the National Association of State Auditors, Comptrollers and Treasurers. She then asked Commissioner Burns to summarize the changes to the state's tax laws enacted during the General Assembly session.

Chairwoman Ganeriwala asked if there were any changes or revisions to the November 15 meeting minutes. Mr. Densmore moved for approval of the minutes. Mr. Von Moll seconded and the motion carried unanimously.

### **Public Comment**

None

### **Action Items**

#### **A Resolution Authorizing Equipment Financing Under a Proposed Master Equipment Lease Agreement for Virginia Port Authority**

Janet Aylor introduced Rodney Oliver and Sara McCoy from the Virginia Port Authority and JoAnne Carter from PFM. She then presented the Preliminary Financing Summary for extending the Master Equipment Lease Purchase for the Virginia Port Authority, not to exceed \$30 million. The purpose of the financing is to acquire certain equipment in connection with the ongoing renovation of Norfolk International Terminals, but that also may be used at Portsmouth Marine Terminal, Richmond Marine Terminal, Virginia Inland Port and Virginia International Gateway Terminal. The interest rates will be set based on the agreed upon formula and prevailing market rates at the time of the draw. The Authority is seeking to increase the funding amount under an existing Master Equipment Lease Agreement by an additional \$30 million and extend the procurement period of the Agreement by an additional year, to September 30, 2021. The Authority and Bank of America Public Capital Corp initially entered into a Master Equipment Lease Agreement on October 27, 2017, which provided access to funding up to \$37 million in terminal operating equipment. The Authority has previously financed equipment under the Agreement in the aggregate principal amount of \$29.9 million, leaving a remaining balance of \$7.1 million from the initial Master Equipment Lease Agreement.

Discussion ensued.

Sarah McCoy, representing Virginia Port Authority as bond counsel, reviewed the resolution, and Rodney Oliver commented on the need for financing.

Mr. Carney suggested a change to the wording of the Resolution. On page two, paragraph two, line six, after financed, add "under the amendment".

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

## **A Resolution Approving the Plan of Finance for the Virginia Public Building Authority of its Public Facilities Revenue Bonds**

Janet Aylor presented the Preliminary Financing Summary for the issuance of \$174.2 million of Public Facilities Revenue Bonds, Series 2019A; \$132.6 million of Public Facilities Revenue Bonds, Series 2019B (AMT); and \$25.1 million of Public Facilities Revenue Bonds, Series 2019C (Taxable). The proceeds of the Bonds are being used to, (i) finance the acquisition, construction, improvement, rehabilitation, furnishing and equipping of various public facilities for use by or on behalf of 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, and (iii) pay costs of issuing the 2019 Bonds. The Bonds are scheduled for competitive sale on March 13, 2019. The estimated true interest cost as of February 20, 2019 is 3.15% for Series 2019A, 3.39% for Series 2019B, and 3.72% for Series 2019C. The overall all in TIC was 3.29%.

Discussion ensued.

Peyton Stroud, representing Kaufman & Canoles, P.C., reviewed the Resolution.

Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Von Moll moved that the Resolution be adopted. Mr. Burns seconded, and the motion carried unanimously.

## **Motion on Treasury Board Financial Advisory Procurement**

Janet Aylor reviewed the Motion to procure a contract for the Treasury Board's financial advisors. Currently, Public Resources Advisory Group is the primary advisor with Hilltop Securities, Inc. as secondary. The current contract expires on April 20, 2019. Approval of the Motion will allow Treasury staff to move forward with issuing a RFP to procure new financial advisory contracts.

Mr. Carney asked that Treasury send the Board a copy of the Request for Proposal.

Mr. Carney moved that the Motion be adopted. Mr. Mejia seconded and the Motion carried unanimously.

## **Board Briefing**

Bryce Lee and Karen Logan briefed the Board on the General Account External Managers' investment performance and the Quarterly Investment Manager Performance of the TCR Endowment for taxable and tax-exempt portfolios for the 4<sup>th</sup> quarter of 2018.

Mr. Lee briefed the Board on the General Account External Manager's portfolio. The portfolio was valued at \$1.28 billion and had earned income of \$18.7 million and unrealized loss of \$10.1 million. The portfolio return in the 4<sup>th</sup> quarter was 1.4% net of fees; the benchmark net of fees was 1.6%.

Discussion ensued.

Ms. Logan briefed the Board on the TCR tax exempt and TCR taxable portfolios. The TCR taxable portfolio was valued at \$228 million and had earned income of \$3.6 million. The portfolio return in the 4<sup>th</sup> quarter was 1.5% net of fees; the benchmark net of fees was 1.8%. The TCR tax-exempt portfolio was valued at \$187.6

million, earned income of \$2.2 million and an unrealized gain of \$798,000. The 4<sup>th</sup> quarter return net of fees was 1.7% net of fees, matching the benchmark net of fees. Discussion ensued.

## **Staff Reports**

### **Debt Management**

Ms. Aylor reviewed the Debt Calendar as of February 1, 2019 and the leasing reports as of January 31, 2019. She informed the Board that one new lease was provided in January for cargo trailers. She also informed the Board that \$18.6 million was used to date under the Master Lease Program leaving a line of credit balance of \$22.4 million. In addition, \$19.3 million was previously provided under the Energy Lease Program and the line of credit balance is \$20.7 million. There was no new activity in the Energy Lease Program.

### **Security for Public Deposits**

Kristin Reiter reviewed the Security for Public Deposits Report for the month ended December 31, 2018. Ms. Reiter reported that one bank (MainStreet Bank) was under-collateralized for the month. Ms. Reiter noted that the IDC ratings have been updated using IDC's 3<sup>rd</sup> Quarter 2018 ratings. 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. She notified the Board of a new qualified public depository bank, JPMorgan Chase.

Ms. Reiter then reviewed the quarterly statistics reports. As of December 31, a total of 94 public depositories held public deposit balances (net of FDIC) of \$8.1 billion; \$5.3 billion of these deposits were held by 30 opt-out depositories. A total of \$2.8 billion was held by 64 pooled depositories. The four largest public depositories held \$3.9 billion or 48% of total public deposit balances net of FDIC. A summary of the types of securities pledged as collateral at December 31 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 93% of pooled public deposits whereas 92% 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.

Mr. Densmore relayed his concern about the concentration of public deposits after the merger between SunTrust and BB&T becomes finalized.

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

Kathleen Bowe, with PFM, reviewed the SNAP report as of January 31, 2019. The fund's assets were valued at \$3.9 billion. The monthly yield was 2.65%, increasing from December's yield of 2.50%. The weighted average maturity of the fund was 29 days.

### **Investments**

Neil Boege reviewed the Investment reports for the month ended January 31, 2019. The General Account portfolio was valued at \$7.4 billion. The average yield on the Primary Liquidity portion of the General Account was 2.56%, up from December's average yield of 2.47%. The Extended Duration portion of the portfolio had a


yield to maturity of 3.08%, down from December's yield to maturity of 3.21%. This resulted in the composite yield being 2.65% for the month.

Mr. Boege then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of January. The LGIP portfolio was valued at \$5.0 billion. The average yield on the portfolio was 2.60%, up from December's average yield of 2.49%. The average maturity was 45 days, down ten days from 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 January. The net asset value yield to maturity was 2.35%, up from December's net asset value yield to maturity of 2.28%. The average duration was 0.77 years.

### **Other Business**

Chairwoman Ganeriwala stated that the next meeting of Treasury Board is scheduled for March 20, 2019. The meeting adjourned at 10:43 a.m.

Respectfully submitted,



Vernita Boone, Secretary

Commonwealth of Virginia Treasury Board