

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

July 10, 2019

9:00 a.m.

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

Members Present: Manju S. Ganeriwala, Chairwoman
Neil Amin
Craig Burns
James Carney
Douglas Densmore

Members Absent: Lou Mejia
David Von Moll

Others Present:	Don Ferguson	Office of the Attorney General
	Susan Bagato	Auditor of Public Accounts
	Scott Detar	Bank of America Merrill Lynch
	Kevin Larkin	Bank of America
	Markita Heard	JP Morgan
	Eric Ballou	Kaufman & Canoles
	Megan Gilliland	Kaufman & Canoles
	T.W. Bruno	McGuire Woods
	Anne Curtis Saunders	McGuire Woods
	James Johnson	The Optimal Service Group
	Bryce Lee	The Optimal Service Group
	Karen Logan	The Optimal Service Group
	Nelson Bush	PFM Asset Management LLC
	Steven Peyser	PRAG
	Adam Rosatelli	Senate Finance Committee
	Anand Dharan	Wellington Management
	Jason Law	Wellington Management
	Joseph Marvan	Wellington Management
	Jared Synnestvedt	Wellington Management
	Patrick Dixon	Wells Fargo
	Janet Aylor	Department of the Treasury
	Neil Boege	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Leslie English	Department of the Treasury
	Kathy Green	Department of the Treasury
	Debora Greene	Department of the Treasury
	Brad Jones	Department of the Treasury

Laura Lingo
 Kristin Reiter
 David Swynford

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Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:13 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the April 17 meeting minutes. Mr. Densmore moved for approval of the minutes. Mr. Amin seconded and the motion carried.

Public Comment

None

Action Items

A Resolution of the Treasury Board of the Commonwealth of Virginia Providing for the Issuance of Commonwealth of Virginia General Obligation Bonds, Series 2019A, General Obligation Refunding Bonds, Series 2019B and General Obligation Refunding Bonds, Series 2019C (Federally Taxable)

Janet Aylor introduced Steve Peyser - President of PRAG; Scott Detar – Senior Bookrunning Underwriter of Bank of America Merrill Lynch; Eric Ballou and Megan Gilliland – Bond Counsel of Kaufman and Canoles; and T.W. Bruno and Anne Curtis Saunders – Counsel to the Underwriters of McGuire Woods.

Leslie English presented the Preliminary Financing Summary for the issuance of \$160 million of Virginia General Obligation Bonds and General Obligation Refunding Bonds consisting of (i) \$53.1 million General Obligation Bonds, Series 2019A, (ii) \$94.2 General Obligation Refunding Bonds, Series 2019B and (iii) \$12.9 General Obligation Refunding Bonds, Series 2019C (Federally Taxable). The proceeds of the 2019A Bonds will be used to (i) finance the costs of constructing and equipping revenue-producing capital projects at institutions of higher education of the Commonwealth and (ii) pay costs of issuing the 2019A Bonds. The proceeds of the 2019B Bonds will be used to (i) refund certain prior general obligations of the Commonwealth and (ii) pay costs of issuing the 2019B Bonds. The proceeds of the 2019C Bonds along with available funds will be used to (i) refund certain prior general obligations of the Commonwealth and (ii) pay costs of issuing the 2019C Bonds. The Bonds are scheduled for negotiated sale on July 30, 2019. The estimated true interest cost as of July 9, 2019 for the Series 2019A Bonds is 2.4943%, Series 2019B Bonds is 1.2968% and Series 2019C Bonds is 2.5571%.

Scott Detar provided a market update. Bond market interest rate levels remain very low. The credit spread is tightening. A rate cut by the Federal Reserve Board is expected in late July. We have had 26 weeks of positive municipal bond inflows. August is the highest month for coupon redemption in Virginia; this is good for our sale.

Discussion ensued.

Steve Peyser discussed the structure of the new bonds, and addressed a number of technical questions relating to call provisions on the taxable series of bonds.

Minutes corrected on November 20, 2019

Megan Gilliland, bond counsel representing Kaufman and Canoles, reviewed the Resolution.

Discussion ensued.

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

Extended Duration Credit Portfolio Intermediate Duration Manager Review: Wellington

Karen Logan of Optimal Services briefed the Board on the General Account External Managers' investment performance and the Quarterly Investment Manager Performance of TICC Endowment for taxable and tax-exempt portfolios. Ms. Logan then introduced the following representatives of Wellington Management: Joe Marvan – Fixed Income Portfolio Manager, Jed Synnestvedt – Associate Director of Global Relationship Group, Anand Dharan – Investment Director, and Jason Law – Relationship Manager.

Mr. Law provided an overview of Wellington Management and Mr. Marvan reviewed the Department of Treasury's portfolio.

Discussion ensued.

Mr. Synnestvedt thanked the Board for its relationship with Wellington Management and stated that they are willing to offer experts to attend a future meeting and answer any questions of the Board. He also extended an open invitation for the Board to visit Wellington Management in Boston.

Staff Reports

Debt Management

Janet Aylor reviewed the Debt Calendar as of July 1, 2019 and the leasing reports as of June 30, 2019. She informed the Board that new leases for \$4.1 million were provided in June for vehicles and equipment. She also informed the Board that \$28.6 million was used to date under the Master Lease Program leaving a line of credit balance of \$13.5 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.

Ms. Aylor reviewed the Final Financing Summaries for bond sales that were completed earlier this year.

Discussion ensued.

One particular Final Financing Summary showed a wide spread between the lowest and the highest bids. Ms. Aylor will reach out to the underwriters to discuss the possibility of holding second round bids in such an instance going forward.

Board member Craig Burns left the meeting at 10:30.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits Report for the month ended May 31, 2019. No qualified public depositories were undercollateralized in May. Ms. Reiter reported that First Tennessee Bank closed its only branch bank in Virginia in April 2019 and thus had to withdraw from the SPDA Program. Ms. Reiter reported that the IDC bank ratings had been updated using IDC's 1st quarter 2019 ratings. One pooled bank, Carter Bank & Trust, and one opt-out bank, Bank of Fincastle, were removed from the listing of depositories with below average ratings. As of May 2019, no qualified public depositories were rated below average by IDC.

State Non-Arbitrage Program

Nelson Bush reviewed the SNAP report as of June 30, 2019. The fund's assets were valued at \$4.3 billion. The monthly yield was 2.5%, decreasing from May's yield of 2.55%. The weighted average maturity of the fund was 46 days. Mr. Bush reported that Chesapeake Hospital Authority is a new Program participant.

Mr. Bush reported that this is SNAP's 30th anniversary. In the last 15 years, SNAP has helped Virginia invest \$43 billion. In the last 10 years, it has returned \$712 million investment earnings.

On September 17, they will hold a SNAP users' meeting in Charlottesville.

Investments

Neil Boege reviewed the Investment reports for the month ended June 30, 2019. US Treasury yields continued to decline during June. The General Account portfolio was valued at \$8.9 billion. The average yield on the Primary Liquidity portion of the General Account was 2.51%, down from May's average yield of 2.53%. The Extended Duration portion of the portfolio had a yield to maturity of 2.40%, down from May's yield to maturity of 2.60%. This resulted in the composite yield being 2.49% for the month, down from May's yield to maturity of 2.54%.

Mr. Boege then reported on the LGIP portfolio, which was in compliance for all measures for the month of June and was valued at \$6.8 billion. The average yield on the portfolio was 2.49%, down from May's average yield of 2.58%. The average maturity was 39 days, down six days from the previous month. Mr. Boege then reviewed the LGIP Extended Maturity portfolio, which was in compliance for all measures for the month of June. The net asset value yield to maturity was 2.41%, down from May's net asset value yield to maturity of 2.46%. The average duration was 0.88 years.

Other Business

Chairwoman Ganeriwala stated that the next Treasury Board meeting is scheduled for August 15, 2019. The meeting adjourned at 10:51 a.m.

Respectfully submitted,

Vernita Boone, Secretary
Commonwealth of Virginia Treasury Board

Minutes corrected on November 20, 2019