

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

August 21, 2024

10:00 a.m.

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

Members Present: David L. Richardson, Chairman
James Alex
Scott L. Adams (appointed but not yet sworn in)
James P. Carney
Henry C. Eickelberg
Dr. Joshua Weed

Members Absent: Neil Amin

Meeting Guests:	Flora Hezel	Office of the Attorney General
	Steve Cummings	Office of the Governor
	Scott Fleming	PFM Asset Management LLC
	David Swynford	Department of the Treasury
	Brad Jones	Department of the Treasury
	Richard Rhodemyre	Department of the Treasury
	Stuart Williams	Department of the Treasury
	Neil Boege	Department of the Treasury
	Leslie English	Department of the Treasury
	Cliff Lewis	Department of the Treasury
	Jacob Sztraicher	Department of the Treasury
	George Scruggs	Kutak Rock LLP
	Janet Lee	PRAG (via telephone)
	Christine Ilarina	PRAG (via telephone)
	Nick Davies	Mercer LLC
	Kyle Zotta	Mercer LLC
	Jeff Price	Department of Transportation
	Misty Upson	Department of Transportation
	Kathleen Bowe	Wells Fargo
	Mark Burns	Wells Fargo Securities
	Kevin Larkin	Bank of America
	Janice Wolk Grenadier	Public/Judicial Pedia

Call to Order and Approval of Minutes

Chairman Richardson welcomed the Board members and called the meeting to order at 10:00 a.m.

Reimbursements other than Project-Specific Reimbursements and (iii) then from such other funds, if any, which are designated by the General Assembly for such purpose.

The Notes are scheduled for competitive bid on October 1, 2024 with a closing date of October 16, 2024. The estimated all-in true interest cost as of August 8, 2024 was 3.2746%. Mr. Rhodemyre noted that PRAG had provided a revised estimate for the all-in true interest cost as of August 20, 2024 indicating the rate had declined by approximately 1 basis-point. The 2024 Notes will be structured as serial notes paying current interest and maturing semi-annually with a final maturity of fifteen years or a combination of serial and term bonds paying current interest with mandatory sinking fund provisions. Interest and principal payments are due semi-annually on March 15 and September 15 beginning March 15, 2025. The total Costs of Issuance are estimated at \$304,250.00, not including the underwriter's discount.

Discussion ensued regarding ratings determinations for the Commonwealth's GARVEE notes, the call provisions of the 2024 Notes, and the historic and anticipated continued Federal support for GARVEE funded transportation projects.

George Scruggs with Kutak Rock and bond counsel on the transaction reviewed the Resolution.

Henry C. Eickelberg moved that the Resolution be adopted, J.P. Carney seconded, and the motion carried unanimously.

Recommended Changes to the Investment Guidelines for the Local Government Investment Pool (LGIP) and LGIP Extended Maturity Investment Guidelines

Nick Davies and Kyle Zotta with Mercer LLC presented revisions to the Investment Guidelines for the LGIP and LGIP Extended Maturity Investment Guidelines. The recommended changes to the investment guidelines added clarification on commercial paper to include asset-backed commercial paper. Fitch ratings were added to the list of allowable ratings in addition to pre-existing S&P and Moody's ratings, to bring the Guidelines into conformance with current Code of Virginia requirements.

Discussion ensued regarding rating criteria, credit quality and the LGIP overall fund. Neil Boege, Stuart Williams and Nick Davies addressed the Board on security lending.

Chairman Richardson suggested taking a more in-depth look at security lending because it might be useful to learn how it works and what the risks are.

Chairman Richardson asked that the motions for the changes in the LGIP and TICR guidelines be taken up together.

Recommended Changes to the TICR Tax-Exempt Endowment Investment Guidelines and Taxable Endowment Investment Guidelines.

Kyle Zotta with Mercer LLC presented a Summary of Investment Guidelines changes to the TICR Taxable Endowment Fund, and the TICR Tax-Exempt Endowment Fund with regard to

Nick Davies, Partner and Senior Investment Consultant of Mercer LLC provided an overview of the EDCP Performance Evaluation Report.

He reviewed the EDCP performance and financial reconciliation as of June 30, 2024. Mercer reminded the Board that Treasury is gradually moving assets from PLP into the extended duration portfolio of about \$500 million per month. Mr. Davies summarized the gains and losses and underlying components in the change of market value and managers. He reviewed the asset allocation and performance net of fees, asset allocation compliance and historical and custom benchmarks.

Discussion ensued.

Investments

Neil Boege reviewed the Investment reports for the month ended July 31, 2024, and commented on projections to approaching Fed rate cuts. Primary Liquidity Pool assets declined due to rebalancing to the EDCP portfolio in addition to seasonal outflows. The General Account portfolio (Primary Liquidity plus Extended Duration) was valued at approximately \$30 billion, largely unchanged from June. LGIP portfolio assets were mostly unchanged during July after large tax receipt-related increases in June. The average yield on the Primary Liquidity portion of the General Account was 4.73%, in line with the previous month. General Account monthly collected income for July continued to exceed \$100 million and is currently expected to remain around that level through fiscal 2025, although that is somewhat contingent on the evolution of market yields through the year.

The LGIP Program portfolios were in compliance with all guidelines and standards for the month of July. LGIP and LGIP EM yields and balances were broadly in line with the prior month. The LGIP gross yield was 5.45% in July, unchanged from June. The average maturity and WAM to final declined from 51 days and 91 days in June, respectively, to 38 days and 75 days, due mostly to tactical considerations in the uncertain rates environment.

Discussion ensued regarding the LGIP reserve policy. Potential securities lending for the LGIP portfolio was also discussed.

Debt

Brad Jones reviewed the Virginia Debt Calendar as of August 1, 2024 and the leasing reports as of July 31, 2024. Mr. Jones stated that Treasury staff is preparing for its fall debt issuances. He noted that on September 10, a Virginia Public School Authority (VPSA) Special Obligation sale is planned to benefit Hanover County, which is anticipated to be part one of a two-part financing to replace three elementary schools. He mentioned the Commonwealth Transportation Board transaction, which was brought before the Board earlier this morning, is scheduled for October 1. He also noted VPSA has two more transactions in October, which include a pooled bond sale and a Special Obligation sale to benefit Prince William County. Additionally, he noted that he anticipates two debt items will need to come before the Board for consideration in