

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

January 17, 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
Neil Amin
Craig Burns
Charles King
Sharon Lawrence
Joshua Weed

Meeting Guests:	Scott Laws	Office of the Attorney General
	Scott Fleming	PFM Asset Management LLC
	David Swynford	Department of the Treasury
	Brad Jones	Department of the Treasury
	Stuart Williams	Department of the Treasury
	Neil Boege	Department of the Treasury
	Leslie English	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	Laura Lingo	Department of the Treasury
	Kathy Foote	Department of the Treasury
	Richard Rhodemyre	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Nick Davies	Mercer LLC
	Kyle Zotta	Mercer LLC
	Janet Lee	PRAG
	Christine Ilarina	PRAG
	George Scruggs	Kutak Rock
	Laura Farmer	VDOT
	Misty Upson	VDOT
	Marketa Heard	J.P. Morgan
	Kevin Larkin	Bank of America

Call to Order and Approval of Minutes

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

Chairman Richardson asked if there were any changes or revisions to the minutes of the November 15, 2023 meeting. Chairman Richardson asked for a vote of approval of the minutes. Charlie King moved for approval, Neil Amin seconded, and the motion carried unanimously.

Public Comment - None

Action Items

Resolution Approving the Plan of Finance for the Issuance and Sale by the Commonwealth Transportation Board of Commonwealth of Virginia Transportation Capital Projects Revenue Refunding Bonds, Series 2024

Richard Rhodemyre introduced Laura Farmer and Misty Upson with the Virginia Department of Transportation (VDOT). Janet Lee and Christine Illarina of Public Resources Advisory Group joined via telephone. Mr. Rhodemyre covered applicable sections of the Preliminary Financing Summary for the \$419,475,000 Commonwealth of Virginia Transportation Capital Projects Revenue Refunding Bonds, Series 2024 (the “Bonds”). The Series 2024 Bonds are used to (i) refund all or a portion of certain outstanding maturities of the Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2010A-2 (Federally Taxable – Build America Bonds), (the “Series 2010 BABS,) and (ii) refund all or a portion of certain outstanding maturities of the Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2014, (the “Series 2014 Bonds”) and (iii) pay certain costs related to the issuance of the Series 2024 Bonds. The Series 2024 Bonds are secured by and payable from the revenues, receipts, and funds appropriated by the General Assembly of the Commonwealth or allocated by the Transportation Board for such purpose from revenues, receipts, and funds appropriated to it by the General Assembly, (i) from the revenues deposited into the Priority Transportation Fund, (ii) to the extent required, from revenues legally available from the Transportation Trust Fund, and (iii) to the extent required, from any other legally available funds. The 2024 Bonds are scheduled to price competitively on February 28, 2024, with an anticipated delivery date of March 13, 2024. The estimated true interest cost for the Series 2024A Bonds is 2.8296%, resulting in estimated net present value savings of \$25.66 million, or 5.481% of refunded par. The estimated issuance costs are \$304,500, excluding the underwriters’ discount. George Scruggs from Kutak Rock, bond counsel to the Commonwealth Transportation Board, reviewed the Resolution.

Neil Amin inquired about the present value savings and whether or not they included an estimate for the underwriters’ discount. Dr. Weed inquired about the maximum true interest cost at which the Series 2014 bonds would still generate positive net present value savings. Discussion ensued.

Chairman Richardson asked for a motion to adopt the Resolution as presented. Neil Amin moved that the Resolution be approved. Dr. Joshua Weed seconded, and the motion carried unanimously.

Board Briefing

Presentation on PLP and EDCP Review By Mercer LLC

Nick Davies and Kyle Zotta of Mercer, LLC provided an executive summary of the PLP and EDCP portfolio. Mercer reviewed a 2024 High-Level Work Plan that included their investment

strategy and quarterly operations. Key elements of the PLP included Asset Allocation, Performance, Management, and Operations.

The portfolio has consistently outperformed its benchmark by 0.2% and is closely monitored for key characteristics. Mercer provided an overview of the PLP Asset Allocation History, Yield, and Duration History. Historically the EDCP remained near its historical target of 20% short, 60% intermediate, and 20% long-duration. Strategic risk factors were considered. Mercer recommended a strategic allocation of 40% short, 40% intermediate, and 20% long duration and will recommend revising minimum and maximum allocations around the strategic target.

Mercer regularly communicates with Treasury staff regarding the PLP's investment approach. This includes periodic check-ins to discuss current allocations, recent/upcoming activity, liquidity needs, etc. Mercer provided the General Account Transition Update and cash flow planning along with the overall General Account shift from a split of 75%/25% between PLP and EDCP to 65%/35%.

Discussion ensued about the General Account's benefits of a shift, yield differentials, and the cost of liquidity management.

Chairman Richardson asked if the Board would like to formalize the move to 65%/35% and 40%/40%/20% and entertained a motion to accept the recommendations. Dr. Weed moved to approve the recommendations and Neil Amin seconded, the motion carried unanimously.

Investments

Neil Boege reviewed the Investment reports for the month ended December 31, 2023. The General Account portfolio was valued at \$23 billion. The average yield on the Primary Liquidity portion of the General Account was 4.78%, the same as November's average yield.

Mr. Boege then reported on the LGIP portfolio, which was in compliance with all guidelines and standards for December and was valued at \$12.5 billion, an increase from November and in line with normal seasonal trends. The average yield on the portfolio was 5.57%, one basis point down from November's average yield of 5.58%, outperforming the Treasury 3-month constant maturity benchmark by 13 basis points and the iMoneyNet Institutional Money Fund Index by 46 basis points. The average maturity increased to 57 days, up 4 days from the previous month.

Mr. Boege then reviewed the LGIP Extended Maturity portfolio, which complied with all guidelines and standards for the month of December. While the NAV per share increased \$0.04 from November, the NAV gross yield to maturity was 4.40%, declining from November's NAV gross yield to maturity of 4.51%. The average duration was 0.86 years during this month, in line with the previous month.

Debt

Brad Jones reviewed the Virginia Debt Calendar as of January 1, 2024, and the leasing reports as of December 31, 2023. Mr. Jones commented on the financial markets and noted the

Commonwealth's upcoming February bond sales consisting of a General Obligation sale and a Commonwealth Transportation Board Capital Project Revenue Refunding sale. He also noted two Virginia Public School Authority (VPSA) sales in April, a bond sale by the Virginia College Building Authority (VCBA) in late April or early May, and the potential for a Virginia Public Building Authority (VPBA) sale. Mr. Jones then reviewed the activity for the Master Equipment Lease Program, noting that approximately \$1.3 million was provided during December. He noted there was no activity to report on the Energy Lease Program.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits Act report (SPDA) for the month ending November 30, 2023. Old Dominion National Bank was undercollateralized due to a \$10 million deposit in November. The bank pledged additional collateral on December 1, 2023, to cover the shortage. Taylor Bank headquartered in Maryland became a qualified public depository in November. In November using IDC's 2nd quarter bank ratings, three pooled banks and one opt-out bank were ranked below average. IDC's 3rd quarter bank ratings were received in December.

The month of November is the annual election period when public depositories can change their collateralization method from pooled to opt-out and vice versa for the next calendar year. No depositories changed their collateralization method for 2024. In July 2023, updated and amended SPDA regulations became effective. One of the regulatory changes requires pool banks that pledge municipal securities as collateral to take a 10%-20% haircut on the securities. This requirement became effective on January 1, 2024, after a six-month grace period. We will be monitoring compliance when we receive the SPDA reporting for January 2024 in early February. Legislation (HB1205) has been introduced in the General Assembly to allow credit unions to hold Virginia public deposits and become qualified public depositories. Treasury will be monitoring the bill and is taking no position on it at this time.

Other Business

The meeting adjourned at 11:20 a.m.

The next Treasury Board meeting is scheduled for February 21, 2024.

Respectfully submitted,

Yvonne Scruggs, Secretary
Commonwealth of Virginia Treasury Board