

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

June 17, 2020

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

Electronic Meeting

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

Members Absent: David Von Moll

Others Present:	Don Ferguson	Office of the Attorney General
	Katie Collins	Auditor of Public Accounts
	Steven Johnson	Hilltop Securities
	Steve Kantor	Hilltop Securities
	Kayla McEwen	Hilltop Securities
	Markita Heard	JP Morgan
	George Scruggs	Kutak Rock
	TW Bruno	McGuire Woods
	James Johnson	The Optimal Service Group
	Bryce Lee	The Optimal Service Group
	Karen Logan	The Optimal Service Group
	Nelson Bush	PFM
	Matthew Bruning	Virginia Bankers Association
	DeMarion Johnston	Virginia Bankers Association
	Bruce Whitehurst	Virginia Bankers Association
	Janet Aylor	Department of the Treasury
	Neil Boege	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Leslie English	Department of the Treasury
	Debora Greene	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	David Swynford	Department of the Treasury
	Michael Tutor	Department of the Treasury
	Bill Watt	Department of the Treasury

**Call to Order and Approval of Minutes**

Chairwoman Ganeriwala called the meeting to order at 9:00 AM and Vernita Boone, Board Secretary, took roll.

Chairwoman Ganeriwala asked if there were any changes or revisions to the April 15 meeting minutes. Douglas Densmore moved for approval of the minutes. Craig Burns seconded and the motion carried. The votes were as follows:

Neil Amin	No Vote
Craig Burns	Yes
James Carney	Yes
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Louis Mejia	Yes*
David Von Moll	Absent

**Public Comment**

None

**Resolution Approving the Plan of Finance for the Issuance and Sale of Virginia College Building Authority 21<sup>st</sup> Century College and Equipment Revenue and Refunding Bonds, Series 2020 A and B**

Leslie English presented the Preliminary Financing Summary for the issuance of \$675 million of Virginia College Building Authority, Educational Facilities Revenue Bonds, Series 2020A and Taxable Revenue Refunding Bonds, Series 2020B. The proceeds of the 2020A Bonds are being used to (i) finance certain capital projects and acquire equipment for public institutions of higher education in the Commonwealth and (ii) pay the costs of issuing the 2020A Bonds. The proceeds of the 2020B Bonds are being used to (i) refund a portion of certain of the Authority’s outstanding Educational Facilities Revenue Bonds (21<sup>st</sup> Century College and Equipment Programs), and (ii) pay the costs of issuing the 2020B Bonds. The Bonds are scheduled for negotiated sale on July 16, 2020. The estimated true interest cost as of June 12, 2020 is:

Aggregate	1.82%
Series 2020A	1.74%
Series 2020B	1.90%

Mr. Densmore asked if the estimated costs of issuance were comparable to previous Bond issues approved by the Board. Ms. English explained that the rating agency fees were based on the Par amount of the Bonds and the financial advisor and bond counsel fees were based on the complexity of the Bond structure. She stated that the fees were in line with previous Bond issues approved by the Board. Discussion ensued.

James Carney asked what was the rationale for having two financial advisors for the VCBA Bond issue. Ms. English stated that Hilltop Securities is the primary financial advisor and TKG & Associates LLC is the subcontractor to Hilltop Securities for the VCBA 21<sup>st</sup> Century College and Equipment Programs. Mr. Carney asked if the designation rules for the underwriting syndicate were established/set. Discussion ensued. It was decided that going forward, a copy of the bond purchase agreement will be included in the Treasury Board meeting packet when Bonds will be sold by an underwriting syndicate through negotiation.

George Scruggs, from Kutak Rock LLP, bond counsel to the Virginia College Building Authority reviewed the Resolution.

Mr. Densmore asked bond counsel to clarify the Bond parameters under Section 2 of the Resolution. Discussion ensued.

Chairwoman Ganeriwala asked for a motion to approve the Resolution. Louis Mejia moved that the Resolution be adopted. Mr. Burns seconded, and the motion carried unanimously. The votes were as follows:

Neil Amin	Yes
Craig Burns	Yes
James Carney	Yes
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Louis Mejia	Yes*
David Von Moll	Absent

**Motion to Procure a Line of Credit for the Master Equipment Leasing Program**

Leslie English reviewed the Motion to Procure a Line of Credit for the Master Equipment Leasing Program. Approval of the Motion will allow Treasury staff to move forward with the procurement.

Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Densmore moved that the Resolution be adopted. Mr. Carney seconded and the motion carried. The votes were as follows:

Neil Amin	Yes
Craig Burns	Yes
James Carney	Yes
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Louis Mejia	Yes
David Von Moll	Absent

\*Mr. Mejia’s name was inadvertently omitted from the previous two voice votes. However, later during the meeting, Mr. Mejia informed the Board Secretary of the oversight and confirmed his “yes” votes to the approval of the minutes and the VCBA bond Resolution.

**Motion to Revise Guidelines Permitting Banks to Withdraw from Pooling Procedures for the Payment of Losses**

Kristin Reiter provided an overview of proposed revisions to the SPDA Opt-out Guidelines and why the revisions were necessary at this time. She explained that the banking community had concerns about the elimination of the two-day grace period for collateralization of weekly deposits by opt-out depositories. The two-day grace period was eliminated when the Opt-out Guidelines were revised in October 2019. In addition, the banking community was concerned that in extenuating circumstances, such as the receipt of late-day deposits, a bank may not be able to pledge collateral in a timely manner and should not be penalized for circumstances beyond its control.

The proposed revisions increase the number of times from one to two within a rolling 12-month period that a depository can be undercollateralized for weekly reporting by an amount less than 5% without penalty. A new section has been added to the Guidelines to allow the State Treasurer the discretion to waive the penalty for weekly undercollateralization when an official of a depository formally requests an exemption for undercollateralization due to extenuating circumstances.

Representatives from the Virginia Bankers Association were asked to comment and were in support of the proposed changes.

Discussion ensued. Mr. Densmore and Mr. Carney respectively questioned the new exemption process and discussed if the number of exemptions granted to a bank should be capped. It was decided that capping the number of exemptions is not necessary.

Board members requested that staff report exemptions granted by the State Treasurer to the Treasury Board.

Chairwoman Ganeriwala asked for a motion to approve the proposed revised Guidelines. Mr. Densmore moved that the motion be approved. Mr. Mejia seconded and the motion carried. The votes were as follow:

Neil Amin	Yes
Craig Burns	Yes
James Carney	Yes
Douglas Densmore	Yes
Manju Ganeriwala	Yes
Louis Mejia	Yes
David Von Moll	Absent

### **Board Briefing**

#### **Optimal Services Group of Wells Fargo Advisors Briefing on the Quarterly Performance Reports for the Extended Duration Credit Portfolio and TICR Investment Portfolio**

Bryce Lee provided a market update to the group.

James Johnson briefed the Board on the General Account extended duration portfolio. The portfolio was valued at \$1.9 billion and had an unrealized gain of \$52 million. The portfolio return in the first quarter was 2.4% net of fees, with a benchmark return of 2.6%.

Karen Logan briefed the Board on the General Account External Managers' investment performance and the Quarterly Investment Manager Performance of TICR Endowment for taxable and tax-exempt portfolios for the 1st quarter of 2020. Managers generally underperformed the benchmarks due to widening credit spreads.

The TICR taxable portfolio was valued at \$212 million and had earned income of \$5.4 million FY-to-date and an unrealized investment loss of \$2.9 million. The portfolio return in the 1st quarter was 2.4% net of fees versus the benchmark return of 3.5%. The TICR tax-exempt portfolio was valued at \$186 million, earned income of \$3.3 million FY-to-date and had an unrealized loss of \$509,894. The 1st quarter return net of fees was -0.1% net of fees versus a benchmark return of -0.3%.

### **Staff Reports**

## **Debt Management**

Janet Aylor reviewed the Debt Calendar as of June 1, 2020 and the leasing reports as of May 31, 2020. Ms. Aylor also informed the Board that new leases for \$2.3 million were provided in May for vehicles and equipment. She also informed the Board that \$26 million was used to date under the Master Lease Program leaving a line of credit balance of \$9.7 million. A line of credit balance of \$29 million remains. There was no activity in the Energy Lease Program.

## **Security for Public Deposits**

Kristin Reiter reviewed the SPDA Report for the month ended April 30, 2020. Ms. Reiter reported that no banks were undercollateralized in April.

Ms. Reiter provided a summary and report of Opt-out Depository Pledged Collateral as of the quarter ended March 31, 2020. This is in follow-up to Mr. Densmore's concerns about bank consolidation and the liquidity and marketability of pledged collateral. A summary of the types of collateral pledged by each opt-out depository was provided, including the number of each type of security pledged by each depository. Additional information on the types of municipal securities pledged was also provided, outlining the ratings of the securities pledged and whether the securities are of in-state or out-of-state municipalities. Mr. Densmore thanked staff for their work on this matter.

In the coming months, Operations staff will look at collateral pledged by pooled banks. Staff will also do a stress test to determine the estimated liability of banks in the pool if a pooled bank of small, medium, or large size were to fail.

## **State Non-Arbitrage Program**

Nelson Bush provided comments on the current market. Yields are very low.

Mr. Bush then reviewed the SNAP report as of May 31, 2020. The fund's assets were valued at \$4.9 billion. The monthly distribution yield was 0.67%, decreasing from April's yield of 1.02%. The weighted average maturity of the fund was 52 days.

This year, instead of hosting a SNAP users' meeting on site, several webinars will be scheduled instead. Invitations and additional information on the webinars will be provided soon.

Upgrades to the SNAP website will occur in the next couple of weeks.

## **Investments**

Neil Boege reviewed the Investment reports for the month ended May 31, 2020. The general account composite yield to maturity was 0.87%, declining 37 basis points from April.

Mr. Boege then reported on the LGIP portfolio, which was in compliance for all measures for the month of May and was valued at \$6.0 billion. The average yield on the portfolio was 0.71%, down from April's average yield of 1.04%. The average maturity was 58 days, up from the previous month. Mr. Boege then reviewed the LGIP Extended Maturity portfolio. The net asset value yield to maturity was 1.49%, down from April's net asset value yield to maturity of 1.70%. The average duration was 1.2 years.

## **Other Business**

Chairwoman Ganeriwala stated that the next Treasury Board meeting is tentatively scheduled for July 15, 2020. The meeting adjourned at 10:29 AM.

Respectfully submitted,

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Vernita Boone, Secretary  
Commonwealth of Virginia Treasury Board