

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

August 21, 2024

10:00 a.m.

Treasury Board Room  
James Monroe Building  
101 N. 14<sup>th</sup> Street, 3<sup>rd</sup> 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.

Chairman Richardson acknowledged newly appointed State Comptroller, Scott L. Adams and newly appointed Commissioner of the Department of Taxation, James Alex. Chairman Richardson also welcomed a new Treasury Board member, Henry C. Eickelberg and acknowledged the Secretary of Finance, Steve Cummings. He introduced Sr. Assistant Attorney General, Flora Hezel.

Chairman Richardson asked for a vote of approval of the minutes of the June 12, 2024 meeting. Mr. Carney moved for approval, Dr. Joshua Weed seconded, and the motion carried unanimously. Henry C. Eickelberg abstained from voting due to not being at the June meeting given his recent appointment to the Board.

### **Public Comment**

Janice Grenadier addressed the Board regarding the Virginia judiciary.

### **Action Items**

#### **Resolution Approving the Plan for the Issuance and Sale by the Commonwealth Transportation Board of its Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2024**

Richard Rhodemyre introduced Jeff Price and Misty Upson with the Department of Transportation. He also introduced Financial Advisors Janet Lee and Christine Illarina with PRAG who joined by phone. Mr. Rhodemyre introduced George Scruggs, bond counsel for this transaction. Mr. Rhodemyre presented the Preliminary Financing Summary for the issuance by the Commonwealth Transportation Board of approximately \$121,805,000 of its Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes (“GARVEEs”), Series 2024 (the “2024 Notes”). It is expected the Transportation Board will use the net proceeds of the 2024 Notes to (i) provide for the payment of certain costs of certain eligible transportation projects, totaling \$137.0 million, in the Commonwealth of Virginia and (ii) pay certain costs related to the issuance of the 2024 Notes. The 2024 Notes are the eighth series of notes issued by the Transportation Board under the GARVEE Act.

The 2024 Notes are payable solely from and secured by revenues, receipts and funds appropriated by the General Assembly for payment thereof, or allocated by the Transportation Board for such purpose from revenues, receipts and funds appropriated to it by the General Assembly, (i) first from federal-aid highway construction reimbursements and any other federal highway assistance received from time to time by the Commonwealth under or in accordance with Title 23 of the United States Code or any successor program established under federal law from the Federal Highway Administration and any successor or additional federal agencies (“Federal Highway Reimbursements”) only with respect to the project or projects identified by the Transportation Board to be financed by 2024 Notes (“Project-Specific Reimbursements”), (ii) then, at the discretion of the Transportation Board, to the extent required, from legally available revenues of the Transportation Trust Fund, including without limitation Federal Highway

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

policy and housekeeping matters. The guideline changes involved an asset mix policy, endowment benchmarks and a revision to the standards of investment performance section to reflect a combined short and intermediate-duration mandate. In addition, blended benchmarks for each portfolio consisted of a 25% short duration and 75% intermediate duration. A monthly flash report shall be revised for combined short and intermediate duration subcomposite. The common theme was to consolidate on how funds are commonly managed.

Discussion ensued about investment policy and endowment management.

Chairman Richardson asked for a motion to approve the changes to the LGIP and TICR guidelines. Dr. Joshua Weed moved that the guidelines be approved. J.P. Carney seconded, and the motions carried unanimously.

### **Approval of the Electronic Meeting Policy**

Sr. Assistant Attorney General Flora Hezel presented an update on the Treasury Board's Policy Governing Electronic participation in meetings. She discussed the policy purpose and certain circumstances when electronic meetings are permitted. She further discussed remote participation of individual members during in-person meetings and procedural requirements. The Treasury Board may not convene an all-virtual public meeting more than two times per calendar year. For purposes of determining whether a quorum is physically assembled, an individual member of a public body who is a person under a disability and uses remote participation counts toward the quorum as if the individual was physically present. A member whose remote participation is approved shall be permitted to vote on matters before the public body.

Discussion ensued. It was determined the word "Directors" shall be stricken from the policy purpose.

Chairman Richardson asked for a motion to approve the electronic meeting policy. J.P. Carney moved to approve the motion and Henry C. Eickelberg seconded; the Motion carried unanimously.

### **Motion to Delegate the Acceptance of the SNAP Audit Report**

Stuart Williams provided an overview of the Virginia State Non-Arbitrage Program's (SNAP) Audit Review process. The motion was before the Board pursuant to Section §2.2-2416(9) of the Code of Virginia to delegate to the State Treasurer, at his discretion and in consultation with PFM, to accept the SNAP audit results, when presented by Brown Edwards.

Henry C. Eickelberg moved to approve the motion, Dr. Joshua Weed seconded, and the motion carried unanimously.

### **Board Briefings**

#### **Presentation by Mercer on the Quarterly Performance Evaluation Report for the EDCP Portfolio as of June 30, 2024**

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

November. He mentioned that he anticipates a potential Virginia College Building Authority Pooled Bond sale and possibly a General Obligation Bond sale, both being considered for pricing in February 2025, pending the necessary approvals.

Mr. Jones then reviewed the activity for the Master Equipment Lease Program. He noted that approximately \$500,000 was provided to several agencies for vehicles during the month of July. He stated that with that activity approximately \$18 million remains available for lease items under the current line of credit balance. He noted there was no activity to report on the Energy Lease Program.

### **Security for Public Deposits**

Cliff Lewis reviewed the Security for Public Deposits Act report (SPDA) for the month ending June 30, 2024. National Bank of Blacksburg was undercollateralized for the month due to a sudden increase in deposits. Frontier Community Bank merged into National Bank of Blacksburg. There are no new qualified depositories. Bank of Clarke is no longer ranked below average. Using IDC's 1<sup>st</sup> quarter 2024 bank ratings, five pooled banks and one opt-out bank were ranked below average. New Horizon Bank moved into below average category this month. Mr. Lewis mentioned the quarterly statistics for the opt out banks, pooled banks and the summary of qualified depositories.

### **Other Business**

The meeting adjourned at 12:12 p.m.

Respectfully submitted,

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Yvonne Scruggs, Secretary  
Commonwealth of Virginia Treasury Board