

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

July 28, 2021

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
James Carney
Craig Burns
Douglas Densmore
David Von Moll

Members Absent: Lou Mejia

In Person Guests:	Scott Detar	Bank of America
	Eric Ballou	Kaufman & Canoles
	George Scruggs	Kutak Rock
	Don Ferguson	Office of the Attorney General
	Karen Logan	Optimal Service Group
	Bryce Lee	Optimal Service Group
	Nelson Bush	PFM
	JoAnne Carter	PFM
	Laura Farmer	Department of Transportation
	Wendy Thomas	Department of Transportation
	Mark Burns	Wells Fargo
	Brad Jones	Department of the Treasury
	Cliff Lewis	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Richard Rhodemyre	Department of the Treasury
	David Swynford	Department of the Treasury
	Michael Tutor	Department of the Treasury

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed the Board members and called the meeting to order at 9:02 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the minutes of the June 16, 2021 meeting. No changes were noted. Chairwoman Ganeriwala asked for a vote of approval of the minutes. Mr. Densmore moved for approval, Mr. Von Moll seconded, and the motion carried unanimously. Mr. Carney abstained from the vote as he was absent for the prior meeting.

Public Comment

None

Action Items**Resolution Approving the Plan of Finance for the Issuance and Sale by the Commonwealth Transportation Board of the Commonwealth of Virginia Interstate 81 Corridor Program Revenue Bonds (Senior Lien), Series 2021**

Brad Jones presented the Preliminary Financing Summary for the issuance of \$85,205,000 of Commonwealth Transportation Board (“CTB”), Commonwealth of Virginia Interstate 81 Corridor Program Revenue Bonds (Senior Lien), Series 2021 (the “Bonds”). It is expected that the CTB will use the net proceeds of the 2021 Bonds to (i) pay certain costs of certain eligible transportation projects contained in the I-81 Improvement Program, and (ii) pay certain costs related to the issuance of the 2021 Bonds, including costs to initially document, structure and develop the financing plan for this inaugural borrowing program. The bonds are scheduled for a negotiated sale on August 4, 2021. The estimated true interest cost as of July 26, 2021 is 2.73%.

Discussion ensued.

George Scruggs, representing Kutak Rock as bond counsel, reviewed the Resolution.

The Board asked several clarifying questions about the bond structure, including bond holder seniority, default provisions, coverage ratios and the tax structure in place to pay debt service.

It was asked that the Resolution be amended to reduce the allowable maximum true interest cost on the 2021 Bonds from 4.75% to 4.25%, given the current expected interest rate is approximately 2.75%.

Chairwoman Ganeriwala asked for a motion to approve the amended Resolution. Mr. Von Moll moved that the Resolution be adopted. Mr. Amin seconded, and the motion carried unanimously. (See Attachments)

Motion to Procure a Line of Credit for the Energy Leasing Program

Brad Jones reviewed the motion to procure a line of credit for the Energy Leasing Program. The current contract expires at the end of September. The motion allows Treasury to move forward with the procurement of a new line of credit and delegates execution of a new Master Lease Agreement to the State Treasurer.

Discussion ensued.

Chairwoman Ganeriwala asked for a motion to approve. Mr. Burns moved it, Mr. Amin seconded, and the motion carried unanimously.

Motion to Approve Proposed New Treasury Board Policy Regarding Electronic Participation in Board Meetings

David Swynford reviewed the motion to approve a new Treasury Board policy regarding electronic participation in Board meetings. The motion will allow a Treasury Board member to participate in a meeting through electronic means under certain circumstances from a remote location not open to the public per *Virginia* Code, such as, due to an emergency or a personal matter.

Discussion ensued.

Chairwoman Ganeriwala asked for a motion to approve. Mr. Densmore moved it, Mr. Von Moll seconded, and the motion carried unanimously.

Board Briefing

Optimal Services Group of Wells Fargo Advisors Briefing on the 2nd Quarter Performance Reports for the Extended Duration Credit Portfolio and TICR Investment Portfolio

Bryce Lee provided a market update to the group.

Mr. Lee briefed the Board on the General Account extended duration portfolio. The portfolio was valued at \$3.5 billion and had an unrealized gain of \$46.5 million. The portfolio return in the fourth quarter was 1% net of fees, with a benchmark return of 1.1%. The portfolio return for FY-to-date was 0.4% net of fees, with a benchmark return of 0.1%.

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 2nd quarter of 2021.

The TICR taxable portfolio was valued at \$199.7 million and had earned income of \$4.6 million FY-to-date and a total investment gain of \$435,034. The portfolio return in the 2nd quarter was 0.6% net of fees matching the benchmark. The TICR tax-exempt portfolio was valued at \$180 million, earned income of \$4.1 million FY-to-date and had a total investment gain of \$4.3 million. The 2nd quarter return net of fees was 0.8% net of fees, with a benchmark return of 0.5%.

Staff Reports

Debt Management

Mr. Jones reviewed the Debt Calendar as of July 1, 2021.

Mr. Jones also reviewed the leasing reports as of June 30, 2021. He informed the Board that the Department of General Services purchased fleet vehicles in June and there was just over \$39 million available on the current line of credit. There was no activity with the Energy Lease Program.

He noted a final financing summary for the \$82,740,000 Virginia College Building Authority Bonds was included in the package and the sale results were reviewed during the June meeting.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended May 31, 2021. Ms. Reiter reported that four banks were undercollateralized for the month (City National Bank of West Virginia, VCC Bank, Shore United Bank, and First Citizens Bank and Trust). City National Bank did not pledge additional collateral to correct its undercollateralization at the end of May 2021, until the later part of June. A similar instance of a pooled bank failing to pledge collateral timely was noted last month. To address the late pledging of collateral, a memorandum was distributed to pooled depositories reminding them that at no time should they be undercollateralized and that procedures should be in place to monitor public deposit balances on a daily basis.

Ms. Reiter noted that there had been no change in the IDC ratings from what was reported last month. IDC's 4th quarter 2020 ratings were still being used in May 2021. Next month when reporting for the month of June 2021, the ratings will be updated using IDC's 1st quarter 2021 ratings.

Ms. Reiter commented on the number of bank mergers among SPDA depositories since January 2018 which were outlined in a schedule included as part of this month's SPDA Report. There have been fourteen bank mergers among SPDA depositories since January 2018. Nine of the bank mergers reduced the number of pooled depositories; five of the mergers reduced the number of opt-out depositories. Overall from January 2018, the number of qualified public depositories has dropped from 95 to 86. Over the past decade, there has been a sharper drop in qualified public depositories. In 2010 there were 120 depositories; in 2015 there were 110. The reduction in the number of public depositories is primarily the result of bank mergers and consolidation in the banking industry.

State Non-Arbitrage Program

Nelson Bush reviewed the SNAP report as of July 20, 2021. The fund's assets were valued at \$4.82 billion. The monthly yield was .08%, lower from May's yield of .09%. The weighted average maturity of the fund was 58 days. There were \$432.6 million in new bond issuances for the month.

Investments

Neil Boege reviewed the Investment reports for the month ended June 30, 2021. The General Account portfolio was valued at \$21.3 billion. The average yield on the Primary Liquidity portion of the General Account was 0.21%, down three basis points from the month prior. The Extended Duration portion of the portfolio had a yield to maturity of 1.12%. This resulted in the composite yield being 0.35% for the month.

Mr. Boege then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of June. The LGIP portfolio was down \$200 million from the month prior and is valued at \$9.08 billion. The average yield on the portfolio was .09% down three

basis points from the month prior. The average maturity was 58 days, up two days from the previous month.

Finally, Mr. Boege reviewed the LGIP Extended Maturity portfolio. The LGIP Extended Maturity portfolio was in compliance for all measures for the month of June. The net asset value yield to maturity was 0.29%, down three basis point from the month prior. The average duration was 0.88 years.

Other Business

The meeting adjourned at 11:01 a.m.

Respectfully submitted,

Michael R. Tutor, Acting Secretary
Commonwealth of Virginia Treasury Board

RESOLUTION APPROVING THE PLAN OF FINANCE FOR THE ISSUANCE AND SALE BY THE COMMONWEALTH TRANSPORTATION BOARD OF THE COMMONWEALTH OF VIRGINIA INTERSTATE 81 CORRIDOR PROGRAM REVENUE BONDS (SENIOR LIEN), SERIES 2021; APPROVING A FORM OF PAYMENT AGREEMENT FOR THE INTERSTATE 81 CORRIDOR REVENUE BOND PROGRAM; AND DELEGATING AUTHORITY TO THE STATE TREASURER TO APPROVE THE FINAL TERMS AND STRUCTURE OF THE BONDS AND FINAL FORM OF THE PAYMENT AGREEMENT

WHEREAS, approval of the Treasury Board of the Commonwealth of Virginia (the “Commonwealth”) is required pursuant to Section 2.2-2416(7) of the Code of Virginia of 1950, as amended (the “Virginia Code”), for the terms and structure of all proposed bond issues by state agencies, boards or authorities where debt service payments are expected to be made, in whole or in part, directly or indirectly, from appropriations by the General Assembly of the Commonwealth of Virginia;

WHEREAS, the General Assembly authorized the Commonwealth Transportation Board, an agency of the Commonwealth, pursuant to the Commonwealth Transportation Interstate 81 Corridor Bond Act of 2020 as established in Chapter 1230 of the Acts of the General Assembly, 2020 Reconvened Session (the “I-81 Bond Act”) to issue bonds to be designated Commonwealth of Virginia Interstate 81 Corridor Program Revenue Bonds (the “Bonds”), the proceeds of which are to be used for the exclusive purpose of paying costs, including reserve funding requirements and Bond issuance and financing costs, incurred or to be incurred by the Transportation Board in relation to its Interstate 81 Corridor Improvement Plan and Interstate 81 Corridor Improvement Program, as such terms are defined in Section 33.2-3600 of the Virginia Code;

WHEREAS, the I-81 Bond Act provides that Bonds issued thereunder are to be paid from certain revenues credited to the Interstate 81 Corridor Improvement Fund, a special non-reverting fund established on the books of the Comptroller of the Commonwealth, derived from a regional tax imposed on wholesale distributors of gasoline and diesel fuels from the sale of such fuels to retail dealers in certain localities along the Interstate 81 corridor, subject to the appropriation of such revenues for such purpose by the General Assembly, and further provides for other funds to be used for such purpose if made available and appropriated for such purpose by the General Assembly;

WHEREAS, the I-81 Bond Act authorizes the Transportation Board to enter into agreements with any department or agency of the Commonwealth to make appropriated funds available to pay debt service and other funding requirements of such Bonds, and in order to provide for a process and procedures to seek appropriations from the General Assembly for such purpose, the Transportation Board requests that the Treasury Board enter into a Payment Agreement to be dated as of the first day of the month in which the initial series of Bonds are issued, between the Treasury Board, the Secretary of Finance and the Transportation Board (the “Payment Agreement”);

WHEREAS, the Transportation Board has determined as set forth in a resolution adopted on May 19, 2021 (the “CTB Resolution”), to issue and sell its Commonwealth of Virginia Interstate 81 Corridor Program Revenue Bonds (Senior Lien), Series 2021 (the “2021 Bonds”) as the initial series of Bonds to be issued under a Master Indenture of Trust between the Transportation Board and U.S. Bank National Association, as trustee, established to facilitate the issuance of Bonds from time to time as contemplated by the I-81 Bond Act;

WHEREAS, proceeds of the 2021 Bonds will be used for the purposes set forth in the I-81 Bond Act and as set forth in the CTB Resolution to provide funding for projects included in the Interstate 81 Corridor Improvement Plan and Interstate 81 Corridor Improvement Program and certain costs of issuance related to the 2021 Bonds and establishment of the financing program pursuant to the I-81 Bond Act;

WHEREAS, as the 2021 Bonds are the first series of Bonds issued under the I-81 Bond Act, the Transportation Board has determined, based on the advice and recommendation of its financial advisor, to offer and sell the 2021 Bonds pursuant to a negotiated sale; and

WHEREAS, a plan of finance that describes the proposed terms and structure of the 2021 Bonds (the “Preliminary Financing Summary”) has been presented to this meeting along with a substantially final form of the Payment Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE TREASURY BOARD OF THE COMMONWEALTH OF VIRGINIA THAT:

1. The plan of financing proposed by the Transportation Board for issuance of the 2021 Bonds presented to this meeting as outlined in the Preliminary Financing Summary and in the form of Preliminary Official Statement, is hereby approved substantially as presented, subject to further revision consistent with the terms and limitations of this Resolution as approved by the State Treasurer of the Commonwealth pursuant to Section 2 of this Resolution.

2. Pursuant to Section 2.2-2416(9) of the Virginia Code, the Board deems it proper and delegates to the State Treasurer authority to act for and on behalf of the Treasury Board and take such action as the State Treasurer may deem necessary and appropriate, subject to the limitations set forth herein, and otherwise consistent with this Resolution, to approve the final terms and structure of 2021 Bonds, to determine the manner of sale of the 2021 Bonds in one or more series as negotiated with one or more underwriters of the 2021 Bonds; provided, however, (a) the aggregate principal amount of the 2021 Bonds shall not exceed \$110,000,000, taking into account any net original issue premium in excess of a diminimis amount to the extent required by Section 2.2-5002.1 of the Virginia Code, (ii) the final maturity of the 2021 Bonds shall not be later than 36 years after their date of issuance, and (iii) the aggregate true interest cost of the 2021 Bonds shall not exceed 4.25%, taking into account any original issue discount or premium and issuance costs;

3. The Board approves the Payment Agreement in substantially the form presented and authorizes and directs the State Treasurer to prepare, execute, and deliver the final form of the Payment Agreement with such completions, omissions, insertions, and changes, subject to the limitations set forth in this Resolution, as are necessary or desirable to provide for the issuance and sale of the 2021 Bonds and additional Bonds from time to time; provided the issuance of any

additional Bonds shall be presented to the Treasury Board for approval of the terms and structure thereof.

4. The State Treasurer is authorized to take such further action consistent with the authorization and subject to the limitations herein provided as is necessary to carry out the purposes and intent of this Resolution.

5. This Resolution shall take effect upon adoption and shall remain in effect for a period of one year after the date of adoption of the CTB Resolution (May19, 2021).

The undersigned Chairman of the Treasury Board of the Commonwealth of Virginia certifies that the foregoing is a true and correct copy of a Resolution adopted by the Treasury Board, upon the vote as noted below, at a duly called meeting of the Board held on July 28, 2021.

<u>Board Member</u>	<u>Present/Absent</u>	<u>Vote</u>
Manju S. Ganeriwala		
Neil Amin		
Craig Burns		
James Carney		
Douglas Densmore		
Luis R. Mejia		
David A. Von Moll		

Date: _____, 2021

Chairman, Treasury Board of the
Commonwealth of Virginia

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