

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

October 15, 2014

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
William W. Harrison, Jr.
Lou Mejia
David Von Moll

Members Absent: Neil Amin
Craig Burns
Douglas Densmore

Others Present:	Craig Robinson	PFM Asset Management
	T. C. Wilson	Optimal Service Group
	Patrick Dixon	Wells Fargo Bank
	Steve Schmmel	Bank of America
	Arthur Anderson	McGuire Woods LLP
	Charles Shimer	Kutak Rock, LLP
	Ellen Valentine	Kutak Rock, LLP
	Kristy Scott	Auditor of Public Accounts
	Elizabeth Myers	Office of the Attorney General
	Laura Farmer	VDOT
	John Lawson	VDOT
	Jeanine Black	Department of the Treasury
	Belinda Blanchard	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
	Gloria Hatchel	Department of the Treasury
	Deidre Jett	Department of the Treasury
	Brad Jones	Department of the Treasury
	Brandy Mikell	Department of the Treasury
	Harold Moore	Department of the Treasury
	John Ockerman	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Capri Smart	Department of the Treasury
	Michael Walsh	Department of the Treasury
	Bill Watt	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Tim Wilhide	Department of the Treasury

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:05 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the September 17, 2014 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Von Moll moved for approval of the Minutes, Mr. Mejia 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 Bonds, Series 2014, and Delegating Authority to the State Treasurer to Approve the Final Terms and Structure of the Bonds.

Michael Walsh presented the Preliminary Financing Summary for the issuance of \$300,000,000 Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2014. The Bond proceeds will be used to finance various transportation projects throughout the Commonwealth pursuant to the Bond Act and the Appropriation Act, and pay certain costs related to the issuance of the Series 2014 Bonds. The Bonds are scheduled for sale by competitive bidding on November 19, 2014. The estimated true interest cost as of October 7, 2014 is 3.55 percent. Mr. Mejia asked if the funds have been designated for specific projects. Mr. John Lawson from VDOT responded that yes, all the funds have been designated but there is some flexibility as to which projects will be funded. Chairwoman Ganeriwala asked if the VDOT six-year plan is prioritized. Mr. Lawson responded that the plan was not prioritized.

Mr. Walsh introduced Bond Counsel, Arthur Anderson, of McGuire Woods LLP who reviewed the Resolution and outlined the issuance parameters. Mr. Mejia asked how the competitive bidding process was done. Mr. Anderson, along with Evie Whitley from Treasury's Debt Management Division, explained how the process uses an electronic bidding platform to submit bids to the Commonwealth. Chairwomen Ganeriwala asked about the structure of the issue with a premium. Mr. Anderson responded that the premium would be downsized.

Chairwoman Ganeriwala asked if there were any further questions. There being none, the Chairwoman asked for a motion to approve. Mr. Harrison moved that the Resolution be adopted. Mr. Mejia seconded, and the motion carried unanimously.

Resolution Approving a Plan of Finance for Virginia College Building Authority Bonds Under Public Higher Education Financing Program and Related Institution Notes, and Delegating the State Treasurer Authority to Approve Terms, Structure and Manner of Sale

Michael Walsh presented the Preliminary Financing Summary for the issuance of \$99,360,000 Virginia College Building Authority Educational Facilities Revenue Bonds (Public Higher Education Financing Program), Series 2014A (the “2014A Bonds”), and \$185,165,000 Virginia College Building Authority, Educational Facilities Revenue Refunding Bonds (Public Higher Education Financing Program), Series 2014B (the “2014B Bonds”), collectively the “2014 Bonds”). The Bonds will represent the twenty-third and twenty-fourth, respectively, series of Bonds to finance the costs of specified capital projects at various public institutions of higher education in the Commonwealth of Virginia (Series 2014A), refund certain maturities of prior bonds (Series 2014B), and pay costs of issuing the 2014 Bonds. The Bonds are scheduled for sale by competitive bidding October 22, 2014. The estimated true interest cost as of October 7, 2014 is 3.19 percent for Series 2014A and 2.21 percent for Series 2014B. Present Value Savings are estimated at \$16.1 million or 8.16%. Mr. Mejia asked how payment is guaranteed on these bonds. Ms. Whitley responded that the Authority’s bonds are secured by payments on notes issued by the participating institutions to the Authority. If an institution fails to make payment on their note, the state-aid intercept is invoked, under which appropriations of funds to the institution can be intercepted and paid to the Authority. Mr. Mejia asked how the cost of issuance was determined. Ms. Whitley responded that Financial Advisor is competitively negotiated through an RFP process by the Authority. Bond Counsel is selected by the Office of the Attorney General, also through a solicitation process. Rating agency fees are set by the firms and not subject to negotiation. Other fees are bid competitively.

Mr. Walsh introduced Bond Counsel, Chuck Shimer, of Kutak Rock LLP who reviewed the Resolution and outlined the issuance parameters. Mr. Harrison asked why a parameter for interest rates was put on the Refunding Bonds when there is parameter for total savings. Ms. Whitley and Chairwoman Ganeriwala responded that Treasury would look into this and get back to him.

Chairwoman Ganeriwala asked if there were any further questions. There being none, the Chairwoman asked for a motion to approve. Mr. Harrison moved that the Resolution be adopted. Mr. Von Moll seconded, and the motion carried unanimously.

Motion to Delegate Authority to the State Treasurer to Procure Rebate Calculation Agent Services for the Virginia State Non-Arbitrage Program (SNAP)

Tim Wilhide explained the need to procure Rebate Calculation Services for SNAP.

Chairwoman Ganeriwala asked if there were any questions. There being none, the Chairwoman asked for a Motion to approve. Mr. Harrison moved that the Motion be adopted. Mr. Mejia seconded, and the Motion carried unanimously.

Staff Reports

Debt Management

Evie Whitley reviewed the Debt Calendar as of October 1, 2014 and the leasing reports as of September 30.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended August 31, 2014. Ms. Reiter reported that no banks were undercollateralized for the month. There were no new qualified public depositories. There were no bank mergers during this reporting period.

State Non-Arbitrage Program

Tim Wilhide reviewed the SNAP report dated September, 2014. The monthly distribution yield was unchanged from August at 0.13%, outperforming the benchmark of 0.02%. Balances were unchanged from the previous month at \$3.4 billion. New bond issues added to the SNAP Fund totaled \$153,000,000.

Investments

Mr. Wilhide reviewed the Investment reports for the month ended September 30, 2014. The General Account portfolio was \$5.2 billion, up \$283 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.23%, unchanged from the previous month. The Extended Duration portion of the portfolio had an annualized yield of negative 5.06% for the month, bringing the composite yield to negative .99% for September. The increase in interest rates on longer maturity notes and bonds in September is the reason for the negative return as on a mark to market basis the month end asset value of the EDCP fell below the August month end value. While the EDCP accounts for only about 25% of the total General Account portfolio, the annualized effect of the rate increase during the month on this portion of the portfolio more than offset the .23% earned by the Primary Liquidity portfolio, causing the composite to be negative for the month. Fiscal Year to date the composite yield is 0.31%.

Mr. Wilhide then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of September 2014. He then presented the LGIP portfolio report to the Board for the month of September. The LGIP portfolio was down \$198 million from the month prior and is valued at \$2.76 billion. The average yield on the portfolio was 14 basis points, same as the month prior. The average maturity was 74 days, nine days less than the previous month.

Mr. Wilhide reviewed the September returns of the outside General Account and TICR managers relative to the benchmarks. For the General and Taxable TICR portfolios most managers have outperformed the benchmark since the start of the year. The most recent relative returns of the three Tax Exempt managers have slightly outperformed but on a longer term basis two of the three have

consistently underperformed. Mr. Mejia asked if the underperforming outside managers had been asked to come to Treasury Board to explain their results. Mr. Wilhide responded that the underperforming managers have been asked to review their strategies in person with Treasury investment staff but not the Board. Mr. Wilhide reiterated that all outside managers will be scheduled to give presentations at subsequent Treasury Board Meetings. Mr. Mejia asked what was being done about the underperforming outside Managers. Mr. Wilhide responded that they have been placed on a watch list. Mr. Mejia asked what is the most that could be done to push the managers to improve. Mr. Wilhide responded that they will be told that if their performance does not improve they would be terminated.

Other Business

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on November 19, 2014. Chairwomen Ganeriwala asked for a motion to adjourn. Mr. Von Moll moved for adjournment, Mr. Harrison seconded, and the motion carried unanimously. The meeting adjourned at 10:03 a.m.

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board