

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

October 18, 2017

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
Douglas Densmore
Lou Mejia
David Von Moll

Members Absent: Craig Burns

Others Present:	Don Ferguson	Office of the Attorney General
	Helen Hanson	Auditor of Public Accounts
	Kevin Larkin	Bank of America Merrell Lynch
	Arthur Jasion	Ernst & Young
	Suzanne Long	Haneberg Hurlbert PLC
	Bill Zuk	JP Morgan Chase
	George Scruggs	Kutak Rock
	Bryce Lee	Optimal Service Group
	Karen Logan	Optimal Service Group
	Brian Moore	Optimal Service Group
	Kathleen Bowe	PFM
	Nelson Bush	PFM
	Kristy Choi	PFM
	Dan Hess	PFM
	Rodney Oliver	Port of Virginia
	David Swynford	VITA
	Beau Blevins	VML
	Patrick Dixon	Wells Fargo
	William Harrison, Jr.	Williams Mullen
	Janet Aylor	Department of the Treasury
	Leslie English	Department of the Treasury
	Stuart Goodpasture	Department of the Treasury
	Kathy Green	Department of the Treasury
	Debora Greene	Department of the Treasury
	Jay Mahone	Department of the Treasury
	Harold Moore	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	Bill Watt	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 9:03 a.m.

Chairwoman Ganeriwala made a few introductions of guests in the audience. She recognized Bill Harrison of Williams Mullen, Suzanne Long of Haneberg Hurlbert PLC, and Rodney Oliver of the Virginia Port Authority. She also introduced the new Deputy Treasurer of the Department of Treasury, David Swynford.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the July 19, 2017 meeting. Michael Tutor indicated that there was one change under the presentation from Optimal Service Group. "T.C." and "Brian" were changed to "Mr. Wilson" and "Mr. Moore". Chairwoman Ganeriwala asked for a vote of approval of the minutes. Mr. Amin moved for approval, Mr. Von Moll seconded, and the motion carried unanimously.

Public Comment

None

Action Items

Resolution Approving the Plan of Finance for Virginia College Building Authority Bonds Under Public Higher Education Financing Program

Jay Mahone presented the Preliminary Financing Summary for the issuance of \$137.6 million of Virginia College Building Authority Educational Facilities Revenue Bonds. \$113.7 million of the bonds are tax exempt (2017A) and \$23.8 million are taxable (2017B). The proceeds of the bonds are being used to finance the costs of specified capital projects at various public institutions of higher education and to pay the issuance costs. The bonds are scheduled for competitive sale on November 7, 2017. The estimated true interest cost as of October 17, 2017 is 3.07% in the aggregate, 3.00% for the Series 2017A and 3.49% for the Series 2017B. The Notes are secured by funds appropriated for such purpose by the General Assembly.

Discussion ensued.

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

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

After passage of the vote, Don Ferguson, the Board's counsel asked for a new vote to amend the resolution correcting the date to read October instead of September.

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.

Resolutions Authorizing Equipment Financing Under Proposed Master Equipment Lease Agreement for Virginia Port Authority

Leslie English presented the Preliminary Financing Summary for a Master Equipment Lease Purchase for the Virginia Port Authority, not to exceed \$37 million. The purpose of the financing is to acquire equipment in connection with the ongoing renovation of Norfolk International Terminals, but that also may be used at Portsmouth Marine Terminal, Richmond Marine Terminal, Virginia Inland Port and Virginia International Gateway Terminal. The interest rates will be set on the agreed upon formula and prevailing market rates at the time of the draw.

Ms. English noted that an RFP for the Equipment Purchases was issued and Bank of America was the winning bidder. She informed the Board that lease would be managed by the Port of Virginia, not the Department of the Treasury.

Discussion ensued.

William Harrison, representing Williams Mullen as bond counsel, reviewed the resolution. Mr. Carney asked to change the word “empowered” to “required” on page two of the resolution. Additionally, it was requested that on page 2, clause 1, bullet (iii), the word “initial” be struck and “procurement period as that term is defined in the” be added before “Master Agreement shall not expire later than September 30, 2020...”

Chairwoman Ganeriwala asked for a motion to approve the amended Resolution. Mr. Densmore moved that the Resolution be adopted, as amended. Mr. Amin seconded, and the motion carried unanimously.

Resolution Accepting the SNAP Fund Audit Results

Tim Wilhide introduced Nelson Bush and Daniel Hess from PFM. Mr. Bush said since the SNAP program is now a local government investment fund, Treasury Board must have an outside auditor hired to audit the fund. Ernst and Young was procured by Treasury on behalf of the Treasury Board to audit the fund.

Daniel Hess presented the SNAP annual report. He indicated that the reporting framework for the annual report is from GASB. The reporting period begins on December 2nd when money started flowing into the fund. Investment income for the year (7 months) was \$19 million.

Discussion ensued.

Arthur Jasion, Partner, with Ernst & Young then reviewed the audit report. Mr. Jasion informed the Board that the fund is audited like an SEC registered fund. There were no corrected or uncorrected misstatements. He indicated that the 16 shareholder account balance confirmations have been completed. Additionally, he informed the Board that the procedures used by the firm were stated in the work papers and he had no concerns after the review of the fund.

It was asked if the Auditor of Public Accounts (APA) should have any involvement in the audit. Mr. Wilhide indicated that Treasury staff had reached out to the APA originally. APA responded that because the fund was managed by a non-state entity, APA would not be responsible for auditing it and that Treasury should retain an outside audit firm.

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

Motion to Amend the Minutes of the May 25, 2017 Treasury Board Meeting

Michael Tutor introduced a motion to amend the minutes of the May 25, 2017 Treasury Board. After review of the approved minutes, it was noticed that the minutes inadvertently left out a comment in support of the LGIP Extended Maturity option by Hanover County Treasurer, Scott Miller. In addition, Janet Aylor was in attendance during the meeting, but was left off of the attendee list.

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

Optimal Presentation on the EDCP Portfolio – Active vs. Passive Investing

Bryce Lee, Brian Moore, and Karen Logan briefed the Board on the General Account External Managers' investment performance and the Quarterly Investment Manager Performance of the TICR Endowment for taxable and tax-exempt portfolios for the 2nd quarter of 2017.

Brian Moore reported the results of the research conducted on the active vs. passive investment of the External Duration Credit Portfolio as asked by the Treasury Board members during the prior month's meeting. He indicated that research was originally conducted on 18 different managers, until they winnowed the list down to four managers after meetings with a few firms.

The Board decided that Treasury staff should come back to the Board with a proposal and recommendation. Board members agreed that the discussion should be continued at a later date.

Staff Reports

Debt Management

Janet Aylor reviewed the Debt Calendar as of October 1, 2017. She informed the Board that the Virginia Public School Authority issue was sold yesterday, and there were several issues to be sold in November.

Ms. Aylor also reviewed the leasing reports as of September 30, 2017. She informed the Board that \$3.2 million was provided during the month leaving \$11.4 million available through the line of credit in the Master Lease Program. There was no activity with the Energy Lease Program.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended August 31, 2017. Ms. Reiter reported that two banks were undercollateralized for the month (Bank of America and HomeTrust Bank). Bank of America was undercollateralized \$27.2 million due to larger than expected deposits. HomeTrust bank was undercollateralized \$34,919 due to a new public deposit that was not reported to accounting. Additional collateral was pledged for both banks. Ms. Reiter noted that the IDC ratings have not yet been updated from what was reported last month using IDC's 1st quarter 2017 ratings.

Investments

Mr. Wilhide reviewed the Investment reports for the month ended September 30, 2017. The General Account portfolio was \$5.5 billion, up \$300 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 1.21%, up four basis points from the month prior. Mr. Wilhide explained that the Extended Duration portion of the portfolio had a yield to maturity of 2.23 %. This resulted in the composite yield being 1.46% for the month.

Mr. Wilhide then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of September. The LGIP portfolio was down \$320 million from the month prior and is valued at \$4.1 billion. The average yield on the portfolio was 1.24%, up two basis points from the month prior. The average maturity was 50 days, up 6 days from the previous month.

Finally, Mr. Wilhide reviewed the LGIP Extended Maturity portfolio. The LGIP Extended Maturity portfolio was in compliance for all measures for the month of September. The net asset value yield to maturity was 1.37%, up one basis point from the month prior. The average duration was .92 years.

Other Business

Chairwoman Ganeriwala stated the next meeting of Treasury Board would be held on November 15. The meeting adjourned at 11:13 a.m.

Respectfully submitted,

Michael R. Tutor, Secretary
Commonwealth of Virginia Treasury Board