

TREASURY BOARD
COMMONWEALTH OF VIRGINIA
October 17, 2012
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
David Von Moll
K. David Boyer
Thomas N. Chewning
William Harrison

Members Absent: Craig Burns
Shaza Andersen

Others Present:	Kristin Reiter	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Harold Moore	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Deborah Green	Department of the Treasury
	Kathy Greene	Department of the Treasury
	Janet Aylor	Department of the Treasury
	Belinda Blanchard	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Elizabeth Peay	Attorney General's Office
	Kristy Scott	Auditor of Public Accounts
	Ralph Addei	Auditor of Public Accounts
	Karen Hawkrigde	Optimal Service Group of Wells Fargo
	Nelson Bush	PFM
	Michael Varano	PFM
	Vasyl Zuk	JP Morgan
	Dominick Patalaw	JP Morgan
	Chuck Shimer	Kutak Rock, LLP
	Patrick Dixon	Wells Fargo

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:04 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the September 19, 2012 meeting. Mr. Chewning indicated that his name was spelled wrong. Chairwoman Ganeriwala asked for a vote of approval with the spelling correction. Mr. Boyer moved the approval of the Minutes, Mr. Von Moll seconded, and the motion carried unanimously.

Public Comment

None

Action Items

Consideration of Resolution Approving Plan of Finance for Virginia College Building Authority Educational Facilities Revenue Bonds (Public Higher Education Program) Series 2012 B

Janet Aylor presented the preliminary financing summary for the issuance of \$132,405,000 Virginia College Building Authority, Educational Facilities Revenue Bonds Series 2012B. The Bonds will represent the twentieth series of bonds to finance the costs of specified capital projects at various public institutions of higher education in the Commonwealth of Virginia. The Note sale is scheduled for October 30, 2012 through a competitive method of sale. The estimated true interest cost as of October 2, 2012 was a 3.03%.

Ms. Aylor noted that the Bond Counsel was not in attendance to review the Resolution approving the plan of finance for the issuance and sale of the Bonds. The resolution was discussed by the Board.

Chairwoman Ganeriwala asked if someone could talk about the estimated premium on the bonds. Ms. Aylor indicated that there was a need to provide the public institutions with \$154 million but the resolution before the Board called for \$132 million, meaning that a premium was expected on the bonds as the market is currently looking for bonds that provide 5 percent interest. Financial advisors for Treasury have done a great job talking to syndicates to figure out the amount of interest in the market. Treasury expects an 18% premium.

Mr. Harrison asked if the bond issue included both new money and refunding bonds. Ms. Aylor responded that it does not. The Virginia College Building Authority meets periodically to approve bond issues and review refunding opportunities. When refunding opportunities arise, the Board authorizes such as long as present value savings of at least 3% and the true interest cost does not exceed 4%.

Mr. Harrison also asked what the refunding expenses were at Virginia Tech. Ms. Aylor said that Virginia Tech did a financing of on its own credit for the initial sale. Virginia Tech now wishes to refund the prior financing through the VCBA pool. As a result, Virginia Tech will have expenses associated with the refunding of its bonds that would neither be applicable nor appropriate to allocate to the other borrowers in the pool

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

Consideration of Resolution Approving Plan of Finance for Virginia College Building Authority Educational Facilities Revenue Bonds (21st Century and Equipment Programs) Series 2012 B

Janet Aylor presented the preliminary financing summary for the issuance of \$460,000,000 Virginia College Building Authority, Educational Facilities Revenue Bonds Series 2012B. The Bonds will be used to finance certain capital projects and acquire equipment at public institutions of higher education in the Commonwealth of Virginia. The Note sale is scheduled for November 28, 2012 through a competitive method of sale. The estimated true interest cost as of October 3, 2012 was a 3.004%.

The deal includes the option of a refunding, but there are no plans for any at the moment. It is anticipated that there will be a \$72 million premium. Ms. Aylor indicated that there is a small taxable piece to this issue for Old Dominion University, and the Roanoke Higher Education Center. The Jefferson Lab at Old Dominion receives some funds from the Federal Government and the Roanoke Higher Education center has a contract with a food vendor making these two issues taxable.

Ms. Aylor introduced Bond Counsel, Chuck Shimer, who reviewed the Resolution.

Mr. Harrison pointed out an error in the Preliminary Offering Statement. He noted that the Statement referred to 2012-B-1 Bonds, which was incorrect because there is only one series of bonds. Mr. Shimer informed the Board that there was originally a taxable and nontaxable piece and the Preliminary Offering Statement would be corrected.

Chairwoman Ganeriwala asked how much the taxable portion of the deal was. Ms. Aylor indicated it was approximately \$8 million of the total \$400 million issue. The resolution gives the VCBA the flexibility to do the taxable piece either as a private placement or on a competitive basis with the tax exempt part of the issue. The financial advisor will assist the staff with this decision.

Chairwoman Ganeriwala asked if there were any questions. There being none, the Chairwoman asked for a Motion to approve. Mr. Harrison moved that the resolution be adopted with the change to the Preliminary Offering Statement. Mr. Chewning seconded, and the Motion carried unanimously.

Board Briefing

PFM/SNAP - SNAP 3rd Quarter Portfolio Performance review.

Nelson Bush and Michael Varano distributed and reviewed a handout entitled "SNAP Treasury Board Meeting Quarterly Program update" (attachment A).

Mr. Bush indicated that it was a big quarter for Arbitrage Rebate Calculations. He noted that the Commonwealth Transportation Board was the largest investor in the program. The portfolio surpassed \$4 million in June and has had larger than normal investments in the past 2 quarters.

Mr. Varano gave a brief overview of the economy. He indicated that the auto and energy industries are doing well and the stock market has rallied to refill coffers of those who had lost money. Stocks are up 15% year to date. Mr. Varano also noted that CD's and commercial paper are doing well and overnight repurchase agreements are very attractive at 25 basis points over the last month. He believes this is due in large part to operation twist by the Federal Reserve.

Mr. Boyer asked how the draws on the account are forecasted. Mr. Varano and Mr. Bush indicated that it is usually easy to forecast with General Obligation Bonds. Commonwealth Transportation Bond issues usually provide a good draw schedule as well.

In response to Board member questions regarding the excess interest earnings by Municipal bond issuers, Mr. Varano informed the Board that the issuer would have to pay excess earnings back to the IRS when the Municipal issuer is out of compliance with arbitrage guidelines. Issuers cannot earn more interest on proceeds than they are paying if the funds are idle pending their intended use.

Staff Reports

Debt Management

Evie Whitley reviewed the Debt Calendar as of October 8, 2012, and the leasing reports as of September 30, 2012.

Ms. Whitley noted that in June the Board discussed refinancing energy leases. There was an invitation to bid placed and Treasury received 7 bids. The winning bid was from Bank of America Public Capital. Ms. Whitley informed the Board that Treasury would be working to refinance the leases within the next four months. She also indicated that the present value savings would be between 9.5 to 21 percent or \$6.4 million if rates hold.

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits Report for the month ended August 31, 2012. She informed the Board that no banks were under collateralized for the month.

Ms. Reiter reviewed the current IDC rankings and indicated the ratings have been updated using IDC's preliminary 2nd quarter ratings. No additional depositories were added to the listing of banks ranked below average using IDC's latest ratings.

Ms. Reiter told the Board that the open enrollment period, when depositories can switch their collateral method from the pooled method to the dedicated method for the upcoming calendar year, would be November 1 through December 1, 2012. A notice reminding depositories of this open enrollment period had been sent to all public depositories.

Investments

Mr. Willhide reviewed the Investment reports for the month ended September 30, 2012. The General Account portfolio was at \$4.876 billion. The average yield on the General Account was 30 basis points up by 11 basis points from September. Yield on the General Account at the end of the Fiscal year was 37 basis points. There was nearly a 12 percent increase in the credit allocation for the month, mainly in C.D's and Commercial Paper. Maturities have been extended out in bank CD's and commercial paper. He also presented the LGIP portfolio report to the Board for the month of September. The LGIP portfolio was at \$2.485 billion. The average yield on the portfolio was 23 basis points, up 2 basis points from the start of the fiscal year.

Other Business

Manju informed the Board that she and Ms. Whitley met with underwriting syndicates in New York in October to give them an update and find out what they are hearing about Virginia in regards to the looming Sequestration by the Federal Government.

Chairwoman Ganeriwala stated the next meeting of the Board would be on October 17, 2012. She asked if there was any further business to come before the Board, There being none, Mr. Chewning moved the meeting be adjourned at 9:32 a.m.; Mr. Boyer seconded, and the motion carried unanimously.

Respectfully submitted,



Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board