

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

April 16, 2014

9:00 a.m.

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

Members Present: Manju S. Ganeriwala, Chairwoman  
K. David Boyer  
David Von Moll  
Craig Burns  
William W. Harrison, Jr.  
Neil Amin

Members Absent: None

Others Present:	Kristin Reiter	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Robert Young	Department of the Treasury
	Harold Moore	Department of the Treasury
	Brandy Mikell	Department of the Treasury
	Gloria Hatchel	Department of the Treasury
	Debora Greene	Department of the Treasury
	Leslie English	Department of the Treasury
	Janet Aylor	Department of the Treasury
	Jeanine Black	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Kathy Green	Department of the Treasury
	Belinda Blanchard	Department of the Treasury
	John Ockerman	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Melissa Palmer	Department of the Treasury
	Brad Jones	Department of the Treasury
	Nelson Bush	PFM Asset Management
	Barbara Fava	PFM Asset Management
	Kathleen Lauerman	PFM Asset Management
	JoAnne Carter	PFM Asset Management
	Katia Frock	PFM Asset Management
	Craig Robinson	PFM Asset Management
	Michael Varano	PFM Asset Management
	Kristy Scott	Auditor of Public Accounts
	Don Ferguson	Office of the Attorney General

James Johnson  
 Brian Moore  
 Karen Hawkridge  
 Chuck Shimer  
 Patrick Dixon  
 Steve Schemmel  
 Kevin Larkin

Optimal Service Group  
 Optimal Service Group  
 Optimal Service Group  
 Kutak Rock LLP  
 Wells Fargo Bank  
 Bank of America  
 Bank of America

### **Call to Order and Approval of Minutes**

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:05 a.m. She then welcomed Neil Amin back to the Board and explained the confusion with his original appointment to the Board. Chairwoman Ganeriwala also announced the retirement of Robert Young, Chief Deputy Treasurer.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the March 5, 2014 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Von Moll moved for approval of the Minutes, Mr. Boyer seconded, and the motion carried unanimously.

### **Public Comment**

None

### **Action Items**

#### **Resolution Approving the Proposed Terms and Structure of the Virginia College Building Authority 21<sup>st</sup> Century College and Equipment Programs New Money and Refunding Bonds, Series 2014A and B.**

Janet Aylor presented the Preliminary Financing Summary for the issuance of \$353,460,000 Virginia Public Building Authority Educational Facilities Revenue Bonds (21<sup>st</sup> Century College and Equipment Programs), Series 2014. The Bond proceeds will be used to (i) finance approximately \$288.6 million of on-going capital projects and \$64.2 million to acquire equipment at public institutions of higher education in the Commonwealth, (ii) refund a portion of certain outstanding Educational Facilities Revenue Bonds, and (iii) pay costs of issuing the Bonds. The Bonds are scheduled for sale by competitive bidding May 1. The estimated true interest cost as of April 14, 2014 is 3.08 percent aggregate. Total present value savings are estimated at \$2.6 million. The ratio of present value savings to refunded par is estimated at 8.6%.

Ms. Aylor introduced Bond Counsel, Chuck Shimer, of Kutak Rock LLP who reviewed the Resolution and outlined the issuance parameters.

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. Burns seconded, and the motion carried unanimously.

**Resolution Approving the Plan of Finance for the Issuance of School Educational Technology Equipment Notes, Series XIV by the Virginia Public School Authority**

**Resolution Approving the Plan of Finance for the Issuance of School Security Equipment Notes, Series II by the Virginia Public School Authority**

Janet Aylor presented the Preliminary Financing Summary for the issuance of \$70,316,100 Virginia Public School Authority School Technology and Security Notes Series II. The proceeds of the Notes are being used primarily to make approximately \$70.3 million of grants (i) to establish a computer-based instructional and testing system for the Standards of Learning (SOL) and to develop the capability for high speed Internet connectivity and (ii) to help offset the costs associated with the purchase of appropriate security equipment all at public schools in the Commonwealth. The Bonds are scheduled for sale by competitive bidding on May 6, 2014. The estimated true interest cost as of April 15, 2014 is 1.07%.

Chairwoman Ganeriwala asked why there were two separate Resolutions for this issuance. Evie Whitley commented that last year was the first time Treasury had two programs, and the prior bond counsel felt that two separate action items were needed. We suspect our new counsel was following that lead. Treasury can revisit with them going forward to see if two Resolutions are really necessary.

Mr. Boyer asked if the competitive process for this sale was the same as last year. The answer was yes.

Chairwoman Ganeriwala asked if there were any further questions. There being none, the Chairwoman asked Treasury Board Counsel, Don Fergusson, if the Resolutions needed to be voted on separately. Mr. Fergusson responded yes. Chairwoman Ganeriwala asked for a motion to approve the first Resolution. Mr. Harrison moved that the Resolution be adopted. Mr. Boyer seconded, and the motion carried unanimously. Chairwoman Ganeriwala asked for a motion to approve the second Resolution. Mr. Harrison moved that the Resolution be adopted. Mr. Boyer seconded, and the motion carried unanimously.

**Motion To Change General Account Primary Liquidity Portfolio Target Durations**

Tim Wilhide explained the reason for the motion. Under the current guidelines the target duration is one year however, the cash flow variability of the Primary Liquidity Portfolio is, and has been, such that this one year target is unattainable. Investment staff requests that the target duration be changed to one year or less at the discretion of the Chief Investment Officer. This will not change the performance benchmark of the One Year Constant Maturity Treasury Bill.

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

**Motion To approve Changes To The Securities Lending Guidelines**

Tim Wilhide explained the reason for the motion. The motion makes the investment guidelines more restrictive by proposing to remove direct investments of bank obligations, commercial paper, and corporate bonds and notes.

Chairwoman Ganeriwala asked about the 30 versus 45 day securities. Mr. Wilhide responded that this is another way to control interest rate and liquidity risk.

Mr. Amin asked why we would remove direct investment in bank obligations. Mr. Wilhide responded that it further reduces the portfolio's exposure to credit risk.

Mr. Von Moll asked if the restrictions will make Treasury change its investments. The answer was no. Mr. Von Moll asked why we accept the risk of Securities Lending based investing. Mr. Wilhide explained that we achieved marginal income with incremental yield and that Treasury is doing it in such a way as to minimize the range of risk taking available to the Securities Lending Agent. Chairwoman Ganeriwala explained that after 2009, Treasury tightened up on the types of investments that our Securities Lending vendor could buy.

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

### **Board Briefing**

#### **PFM/SNAP – SNAP 1<sup>st</sup> Quarter Portfolio Performance Review**

A hand out of the presentation was given to the Board by PFM personnel. Nelson Bush and Michael Varano briefed the Board on the State Non-Arbitrage Program (SNAP) 1<sup>st</sup> Quarter Portfolio Performance. Mr. Bush first noted that March 2<sup>nd</sup> was the 25<sup>th</sup> anniversary of SNAP and introduced the six other PFM employees that were in attendance. Mr. Bush walked the Board through the twenty-five years of SNAP and noted interesting facts along the way. Mr. Varano then provided a market update. He said that first quarter growth was affected by the bad weather. He noted that we should see a major turn in activity and the economy should grow. The monthly distribution yield for the SNAP fund was 0.14% in March, 2014. The SNAP Fund continues to outperform its benchmark, the iMondyNet First Tier Institutional-Only Average Index, which was .02% for the same period.

### **Staff Reports**

#### **Debt Management**

Evie Whitley reviewed the Debt Calendar as of April 7, 2014. She noted that a VPSA issue was scheduled for April 24. She also noted that the VCBA issue that was approved today was scheduled for May 1. The VPSA issue that was approved today is also scheduled for May. Other Debt issuances are scheduled through the month of July. Ms. Whitley also reviewed the leasing reports as of March 31, 2014.

Mr. Amin asked if there is a maximum amount of debt that can be issued in a month. Ms Whitley answered that there is not a maximum, but we try to be aware of the scheduled sales and not flood

the market with Virginia paper all at one time since that could hurt the trading value of the various bonds. Mr. Amin also asked if we ever get to the end of the year and run out of capacity. Chairwoman Ganeriwala explained the Debt Capacity model and how that could not happen.

### **Security for Public Deposits**

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended February 28, 2014. Ms. Reiter was pleased to state that she had nothing to report to the Board. There were no under collateralized financial institutions during this period.

### **Investments**

Tim Wilhide did not review the SNAP report dated March 31, 2014 because the Board had already been briefed by PFM on the SNAP Portfolio.

Mr. Wilhide reviewed the Investment reports for the month ended March 31, 2014. The General Account portfolio was \$5.26 billion, down \$371 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.25%, same as the previous month. Mr. Wilhide explained that the Extended Duration portion of the portfolio had a negative yield of 1.81%, and this caused the composite yield to be negative 0.21% for the month. The year to date composite yield was 0.76%.

Mr. Wilhide then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of March. He then presented the LGIP portfolio report to the Board for the month of March. The LGIP portfolio was down \$34 million from the month prior and is valued at \$2.55 billion. The average yield on the portfolio was 15 basis points, up one basis point from the month prior. The average maturity was 47 days, same as the previous month.

Mr. Boyer asked Mr. Wilhide to identify the TICR Tax Exempt Portfolio Managers that were underperforming their benchmark. They are Blackrock and Deutsche Asset Management.

### **Other Business**

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on May 21, 2014, and the meeting adjourned at 10:13 a.m.

Respectfully submitted,



Manju S. Ganeriwala, Chairwoman  
Commonwealth of Virginia Treasury Board

Attachment