

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

April 15, 2015

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  
Neil Amin  
Douglas Densmore  
Lou Mejia  
Craig Burns

Members Absent: David Von Moll  
William Harrison, Jr.

Others Present:	Kristin Reiter	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Bill Watt	Department of the Treasury
	Harold Moore	Department of the Treasury
	Brandy Mikell	Department of the Treasury
	Debora Greene	Department of the Treasury
	Michael Walsh	Department of the Treasury
	Leslie English	Department of the Treasury
	John Ockerman	Department of the Treasury
	Melissa Palmer	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Kathy Green	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Brad Jones	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	Deidre Jett	Department of the Treasury
	Megan Martz Gilliland	Christian and Barton
	Patrick Dixon	Wells Fargo Bank
	James Johnson	Optimal Service Group
	Robin Wilcox	Optimal Service Group
	Karen Hawkrigde	Optimal Service Group
	Mondrell Moore	Earnest Partners
	Douglas Folk	Earnest Partners
	Jeffrey Finke	Auditor of Public Accounts
	Don Ferguson	Office of the Attorney General
	Nelson Bush	PFM Asset Management

Vasyl Zuk  
 Kim Hoyt  
 Catherine Boyle

JP Morgan Chase Bank  
 Bingham Arbitrage Rebate  
 Bingham Arbitrage Rebate

### **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 asked if there were any changes or revisions to the Minutes of the March 18, 2015 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Amin moved for approval of the Minutes, Mr. Mejia seconded, and the motion carried unanimously.

### **Public Comment**

None

### **Action Items**

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

Evie Whitley presented the motion to procure a line of credit for the Energy Leasing Program. She informed the Board that this was a routine matter for a new line of credit. The current contract is expiring on June 30<sup>th</sup>. Of the \$40 million obtained in the current contract, only \$19 million has been used.

Ms. Whitley explained the Executive Order by Governor McAuliffe ordered State agencies to reduce energy usage by 15%. The leasing program helps agencies do this.

Mr. Densmore asked if there would be competitive bidding on the new contract and the length of the new contract. Ms. Whitley said there would be competitive bidding and the contracts are typically signed for a duration of one year, with an option for another.

Chairwoman Ganeriwala asked the name of the current vendor. Ms. Whitley indicated it was Pinnacle.

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

#### **Resolution Approving the Plan of Finance for the Issuance of School Educational Technology Equipment Notes, Series XV by the Virginia Public School Authority and Resolution Approving a Plan of Finance for the Issuance of School Security Equipment Notes, Series III by the Virginia Public School Authority**

Deidre Jett presented the Preliminary Financing Summary for the issuance of \$72,566,000 Virginia Public School Authority School Technology and Security Notes Series III. The proceeds of the Notes are being used primarily to make approximately \$72.56 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 5, 2015. The estimated true interest cost as of April 15, 2015 is 1.17%.

Ms. Jett informed the Board that this is an annual program and notes are sold every spring. This is the 15<sup>th</sup> series of Technology Notes and the 3<sup>rd</sup> series of Security Notes. \$66.56 million of Technology Notes and \$6 million of Security Notes are to be sold.

Ms. Jett also told the Board that the General Assembly authorizes grant money to be allocated to the school districts around the Commonwealth. The Technology Notes were originally used to allow the Standards of Learning tests to be taken online. The security program is administered by the Department of Education to help the physical security of local schools. The money is repaid from the Literary Fund.

Mr. Densmore asked what would happen if the Literary Fund ran out of money. Ms. Whitley indicated the General Assembly would then be required to pay from appropriations.

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

### **Resolution Approving the Plan of Finance for the Issuance by the Virginia Public Building Authority of its Public Facilities Revenue and Refunding Bonds**

Brad Jones presented the Preliminary Financing Summary for the issuance of \$214.97 million of Public Facilities Revenue Bonds, Series 2015A and \$231.00 million of Public Facilities Revenue Refunding Bonds, Series 2015B. The proceeds of the Bonds are being used to finance the acquisition, construction, improvement, rehabilitation, furnishing and equipping of various public facilities, to finance the Commonwealth's payment of the costs of certain grants and of regional and local jail and juvenile detention projects, and to refund certain maturities of its outstanding Public Facilities Revenue Bonds. The Bonds are scheduled for sale by competitive bidding on May 19, 2015. The estimated true interest cost as of April 15, 2015 is 3.09% for the new money bonds (Series 2015A) and 2.39% for the refunding bonds (Series 2015B). The net present value savings of the refunding are estimated to be \$20.1 million.

The Virginia Public Building Authority's Bond Counsel, Megan Gilliland, reviewed the Resolution.

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

## **Board Briefing**

### **Presentation by Earnest Partners on the First Quarter and Last Twelve Months Portfolio Review**

Douglas Folk and Mondrell Moore of Earnest Partners, briefed the Board on the first quarter and the last twelve months performance of the Commonwealth's portfolio.

They informed the Board of the firm's results since inception. \$25 million was invested in 2005 and to date the amount under management is \$67.1 million, of which \$32.5 million is due to the investment performance. The firm beat their benchmark by 147 basis points over the past year.

Mr. Amin asked how the firm was able to do so well with each sector of their portfolio. Mr. Folk indicated that one reason is because they have been able to underweight treasuries while investing in high quality U.S. Government sponsored securities having higher yields than Treasuries.

Mr. Folk indicated that under Treasury's guidelines, they must invest in at least mid BBB rated securities. He informed the Board that they would normally invest in Baa3 rated securities, but they are not allowable under current guidelines. He stressed that this restriction is not an obstacle to performance.

Chairwoman Ganeriwala asked if their strategy would change when interest rates rise. Mr. Folk indicated that their strategy would not. It really wouldn't affect their portfolio unless there was a massive increase in inflation.

## **Staff Reports**

### **Debt Management**

Evie Whitley reviewed the Debt Calendar as of April 6, 2015. She noted that Treasury was receiving bids this morning for the General Obligation Bonds, Series 2015A & Refunding Bonds, Series 2015B. She also noted that the VPSA issue that was approved today was scheduled for May 5. The VPBA issue that was also approved today is scheduled for May 19. Other debt issuances are scheduled through the month of July. Ms. Whitley also reviewed the leasing reports as of March 31, 2015.

Ms. Whitley presented an update on the fees charged to Treasury by the three rating agencies. She informed the Board that in FY 09, Treasury issued \$3.7 billion in bonds and paid \$1.7 million in fees to the rating agencies. In FY 14, Treasury issued \$1.8 billion in bonds, and paid \$1.3 million in fees to the rating agencies.

Though the fees have increased, they are still in line with their published fee schedules. Of the three rating agencies, Moody's has been the one most reluctant to issue discounts on their fees.

Treasury's financial advisor recommended routinely trying to negotiate fees with each of the firms. Moody's recently agreed to consolidate the ratings fees for two bond issuances saving Treasury close to \$100,000.

Investors don't require three ratings, though dropping one of the ratings would raise questions as to why a change is being made. Chairwoman Ganeriwala said, at this time, she thought it would be best to try to do more negotiating with the rating agency firms, instead of trying to drop one of the ratings.

### **Security for Public Deposits**

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended February 28, 2015. Ms. Reiter reported that no banks were undercollateralized for the month. Ms. Reiter noted that the IDC ratings have not been updated from what was reported last month and we are still using IDC's 3<sup>rd</sup> quarter final 2014 ratings. IDC's 4<sup>th</sup> quarter preliminary and final ratings will be provided at next month's meeting.

She told the Board to disregard the letter to Oak View National Bank that was inadvertently included in the Board packet. The Board members will see this again next month.

### **Investments**

Tim Wilhide reviewed the SNAP report dated March 31, 2015.

Mr. Wilhide also reviewed the Investment reports for the month ended March 31, 2015. The General Account portfolio was \$5.4 billion, down \$119 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.26%, down one basis point from the month prior. Mr. Wilhide explained that the Extended Duration portion of the portfolio had a yield of 4.92%, bringing the composite yield to 1.31% for the month. The year to date composite yield was 1.02%.

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 up \$36 million from the month prior and is valued at \$2.63 billion. The average yield on the portfolio was 16 basis points, unchanged from the month prior. The average maturity was 47 days, down three days from the previous month.

### **Other Business**

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on May 27, 2015, and the meeting adjourned at 10:18 a.m.

Respectfully submitted,

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Manju S. Ganeriwala, Chairwoman  
Commonwealth of Virginia Treasury Board

Attachment