

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

June 20, 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
William W. Harrison, Jr.

Members Absent: Shaza Anderson
Craig Burns
Thomas N. Chewning

Others Present:	Kristin Reiter	Department of the Treasury
	Robert Young	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Harold Moore	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Kathy Green	Department of the Treasury
	Leslie English	Department of the Treasury
	Debora Greene	Department of the Treasury
	Jeanine Black	Department of the Treasury
	Janet Aylor	Department of the Treasury
	Tracy Clemons	Department of the Treasury
	Melissa Palmer	Department of the Treasury
	Judy Milliron	Department of the Treasury
	John Lawson	Department of Transportation
	Michael Walsh	Department of Transportation
	Donald Ferguson	Attorney General's Office
	T.C. Wilson	Optimal Service Group of Wells Fargo
	Brian Moore	Optimal Service Group of Wells Fargo
	Karen Hawkrigde	Optimal Service Group of Wells Fargo
	Evan Francks	Optimal Service Group of Wells Fargo
	Kim Hoyt	Bingham Arbitrage Rebate
	Melodie Bobko	Bingham Arbitrage Rebate
	Scott Detar	Bank of America Merrill Lynch
	Mike Driscoll	Auditor of Public Accounts

Arthur E. Anderson
 T. W. Bruno
 Emily McNally

McGuire Woods
 McGuire Woods
 McGuire Woods

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:01 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the May 11, 2012 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Boyer moved the approval of the Minutes, Mr. Harrison seconded, and the motion carried.

Public Comment

None

Action Items

Resolution Approving the Plan of Finance for the Issuance and Sale by the Commonwealth Transportation Board of the Commonwealth Of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2012B.

Janet Aylor presented the preliminary financing summary for the issuance of \$150,000,000 Federal Transportation Grant Anticipation Revenue Notes, Series 2012B by the Commonwealth Transportation Board. Proceeds of Notes will be used to pay a portion of the costs of (i) the Interstate 95 HOV/HOT Lane Projects, and (ii) the Downtown Tunnel/Midtown Tunnel/MLK Extension Project, and pay certain costs related to the issuance of the 2012B Notes. The Note sale is scheduled for July 11, 2012 with a retail order period beginning July 10, 2012, with closing on July 19, 2012. The estimated true interest cost as of June 11, 2012 was a 2.66%. Ms. Aylor introduced, John Lawson, CFO of the Virginia Department of Transportation, Michael Walsh of VDOT and Bond Counsel, T.W. Bruno and Arthur Anderson from McGuire Woods.

T. W. Bruno of McGuire Woods reviewed the Resolution approving the plan of finance for the issuance and sale of the Bonds.

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. Mr. Boyer seconded, and the Motion carried unanimously.

Authorization of State Treasurer to Solicit for Line of Credit to Refinance Certain Energy Leases.

Ms. Whitley presented a motion to procure a line of credit to refinance certain outstanding Energy Leases. She explained that certain of the outstanding leases from 2006 through 2010 are at interest

rates that are considerably higher than current rates. The motion authorizes staff to undertake a refinancing of these leases.

Chairwoman Ganeriwala asked the amount of leases being considered. Ms. Whitley responded that based on analysis by Public Resources Advisory Group, it could involve up to \$41,000,000 in outstanding leases.

Mr. Boyer asked about the costs of refinancing, and whether the fees would be negotiable. Ms. Whitley said there would be some costs, but most would be part of the pricing submitted in the proposals.

Chairwoman Ganeriwala asked if there would be a cost of termination. Ms. Whitley said that some of the leases carry a prepayment penalty, but it would be factored in when calculating the savings threshold.

Mr. Harrison asked what threshold for present value savings was used. Ms. Whitley responded 3% to 5% in accordance with Treasury Board guidelines for refunding bonds.

Chairwoman Ganeriwala asked what rates the leases currently carried. Ms. Whitley indicated the 2006 to 2008 leases range from 3.39% to 4.32%, and the 2009 leases are 5%. She added that the current rate for a 12-year lease is approximately 2%. Chairwoman Ganeriwala asked if they were any additional questions. There being none, the Chairperson asked for a Motion to approve. Mr. Von Moll made the motion. Mr. Boyer seconded, and the Motion carried unanimously.

Board Briefing

Optimal Service Group of Wells Fargo Advisors' review of the Tobacco Indemnification and Community Revitalization Endowment (Tax-Exempt & Taxable) Portfolio Evaluation for Period Ending March 31, 2012

T.C. Wilson, Brain Moore and Karen Hawkrigde of the Optimal Service Group reviewed the performance of the Tobacco Indemnification and Community Revitalization Endowment for the first quarter. Overall comments were that while the equity market has declined the fixed income markets have held up well.

Chairwoman Ganeriwala had a question about the performance of Income Research & Management's (IR&M) tax exempt portfolio for the quarter. This was the first time she noticed underperformance in the first quarter. Mr. Wilhide commented that this portfolio was not doing well, in contrast to the firm's management of the TICR Taxable and General Account portfolios.

Mr. Wilson stated that he has asked IR&M to come and make a presentation on their performance. Mr. Boyer asked if there were any personnel changes. Mr. Wilson responded that there were none.

Mr. Moore distributed and reviewed a handout entitled "2012 Midyear Economic and Market Outlook" (Attachment A). Mr. Wilson gave an overview handout including a weekly chart showing

the pace of the economic recovery since 2008. He indicated the he would register Treasury Board members to receive the weekly information.

Mr. Boyer asked if there would be any surprises from the FOMC meeting today. Mr. Moore said it is expected that the committee would do something, most likely extend “Operation Twist”

Staff Reports

Debt Management

Evie Whitley reviewed the Debt Calendar as of June 11, 2012.

Ms. Whitley indicated that the Virginia Resources Authority sale scheduled for June 11th has been moved to June 12th to allow the Commonwealth Transportation Bonds to price on June 11th.

Ms. Whitley also reviewed the final financing summaries for two Commonwealth Transportation Board issues that priced in May.

Mr. Boyer asked whether there is a competitive process for costs of issuance. Ms. Whitley said that the Rating Agency costs are not bid competitively, but others are. Bond Counsel fees are negotiated through the Attorney General’s office and fees can vary according to the complexity of the bond issue. Mr. Ferguson confirmed that the Attorney General’s office does receive detailed statements of the fees.

Ms. Whitley reviewed the leasing reports.

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits Report for the month ended April 30, 2012. She stated that one bank Manufacturers & Traders Trust Company was under-collateralized during April and May 2012. A letter included in the Board package was sent out to the bank explaining the nature of the under-collateralization and the impact on the bank’s collateral requirement.

Ms. Reiter indicated that were no changes to the IDC rankings in the month of April 2012.

Ms. Reiter also brought to the board’s attention another letter in the Board package relating to United Central Bank (UCB). Ms. Reiter explain that UCB has not yet executed the new Public Deposit Security Agreement approved by the Board in April 2011 after repeated requests from staff to do so. The letter indicated that UCB would be removed from the listing of qualified public depositories effective June 1, 2012, if the bank failed to execute the new agreement by that date. Since no action was taken by the bank, UCB was removed from the approved listing of qualified public depositories on June 1, 2012.

Chairwoman Ganeriwala complemented staff for their efforts to ensure depositories’ compliance with the Security for Public Deposits Program and their timeliness in addressing compliance issues.

Investments

Mr. Wilhide reviewed the Virginia State Non-Arbitrage Program report for the month ended May 31, 2012. Chairwoman Ganeriwala asked about the current balance of the program. Mr. Bush said that the program has hit a new record with \$4.2 billion as June 19, 2012.

Mr. Wilhide also reviewed the Investment reports for the month ended May 31, 2012.

Other Business

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on July 18, 2012. She asked if there was any further business to come before the Board, There being none, Mr. Boyer moved the meeting be adjourned at 10:10 a.m.; Mr. Von Moll seconded, and the motion carried unanimously.

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board