

TREASURY BOARD
COMMONWEALTH OF VIRGINIA
April 17, 2013
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
Thomas N. Chewning
Shaza Andersen

Members Absent: Craig Burns
K. David Boyer
William W. Harrison, Jr.

Others Present:	Kristin Reiter	Department of the Treasury
	Robert Young	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Michael Tutor	Department of the Treasury
	Janet Aylor	Department of the Treasury
	Leslie English	Department of the Treasury
	Melissa Palmer	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Debora Greene	Department of the Treasury
	Nelson Bush	PFM Asset Management
	Jeffrey Rowe	PFM Asset Management
	T.C. Wilson	Wells Fargo Advisors
	Steve Schemmer	Bank of America Merrill Lynch
	Scott Detar	Bank of America Merrill Lynch

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 27, 2012 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Von Moll moved the approval of the Minutes, Ms. Andersen seconded, and the motion carried unanimously.

Public Comment

None

Action Items

A Resolution Approving the Plan of Finance for the Issuance of School Educational Technology Notes, Series XIII by the Virginia Public School Authority.

Evie Whitley presented the Preliminary Financing Summary for the issuance of \$65,846,000 School Technology and Security Notes Series I. The proceeds of the Notes are being used primarily to make \$59,846,000 of grants 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 at schools and \$6,000,000 in grants to help offset the costs associated with the purchase of appropriate security equipment. The Bond sale is scheduled for May 7, 2013 through a competitive method of sale. The estimated true interest cost is currently estimated at 1.25%.

Ms. Whitley indicated that this is an ongoing VPSA program that has been in existence for many years. The money will be granted out by the Department of Education and the notes will have a 5 year maturity. She informed the Board that this was the only VPSA program that goes through Treasury Board because the debt service is paid through state appropriation through the Literary Fund. She also indicated that roughly \$6 million will be used to finance security equipment. Ms. Whitley then reviewed the Resolution.

Chairwoman Ganeriwala asked if this program was considered debt of the Commonwealth. Ms. Whitley said that it was viewed as tax supported debt, but the debt service is paid from the Literary Fund.

Mr. Chewning asked if the credit rating is based on the money coming from the Literary Fund. Ms. Whitley said that was partially the reason behind the rating.

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

Board Briefing

PFM/SNAP – SNAP 1st Quarter Portfolio Performance Review

Nelson Bush and Jeffrey Rowe reviewed the performance of the SNAP portfolio for the first quarter. Mr. Bush noted it was a slow quarter for the program, due to the minimal amount of new debt issuances. The assets of the portfolio trended downward over the quarter as the bond program funds were spent. Balances should pick up over the next quarter and assets should climb. The portfolio is still hovering over the \$4 billion mark, and has been that way since large deposits were made last June for transportation initiatives. There has been little change in the maturity of the portfolio.

Jeffrey Rowe presented to the Board a brief overview of the economy. The economy continues to improve, though slower than the Federal Reserve would like. There have been minimal gains in housing, employment and the stock market. GDP growth was at .4% during the quarter. Mr. Rowe said 2/3 of the job losses due to the financial collapse have been added. He said the Federal Reserve would continue targeting the employment rate as long as inflation does not rise. They will be able to taper the asset purchase program as the economy improves. Mr. Rowe indicated that the market was not focused on the situation of Cyprus.

The overnight repo's are 20-30% of the portfolio. Rates are 5% lower than last year, due to actions of the Federal Reserve. Mr. Rowe believes that short term rates will fall after the tax season. He also said high quality commercial paper has some value. He indicated that the portfolio composition and credit quality was about the same as last quarter.

Staff Reports

Debt Management

Evie Whitley reviewed the Debt Calendar as of April 8, 2013. She indicated that there were a couple of debt issuances coming before the Board in the near future including a Commonwealth Transportation Board deal, a VHDA issuance and a VRA issuance. Ms. Whitley also reviewed the leasing reports as of March 31, 2013 which included a new VoIP telephone system for Virginia State University and a new tractor for the Department of Forestry.

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended February 28, 2013. She informed the Board that no banks were undercollateralized for the month.

Ms. Reiter reviewed the current IDC rankings and indicated that they had been updated from last month using IDC's 4th quarter 2012 preliminary rankings. Virginia Community Bank was added to the list of pooled banks rated below average.

Ms. Reiter informed the Board that a few of the escrow agents have been reporting late for the past few months. Treasury will monitor the situation. Chairwoman Ganeriwala asked if a letter could be sent and a high level discussion be had with the escrow agents. Ms. Reiter said that would be done.

Investments

Mr. Wilhide reviewed the Investment reports for the month ended February 28, 2012. The General Account portfolio was \$4.76 billion, down \$450 million from the month prior due to seasonal trends. The average yield on the General Account was 28 basis points, unchanged for the last three months. The annualized total return from the External Management Extended Duration portfolio was 1.49%, and the composite was .60% for March, bringing the year to date total to 1.07%. He also presented the LGIP portfolio report to the Board for the month of December. The LGIP portfolio was down \$100 million from \$3.04 billion the month prior. The average yield on the portfolio was 19 basis points, the same as the prior three months. The average maturity increased to 45 days.

Mr. Wilhide informed the Board that the one year total annualized return from the Extended Duration and Credit Portfolio stood at 3.83%. Treasurer Ganeriwala asked if Dodge and Cox was doing better. Mr. Wilhide said they were, but the volatility of their returns still is a focus.

Other Business

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on May 22, 2013. She asked if there was any further business to come before the Board. There being none, Mr. Chewning moved the meeting be adjourned at 9:42 a.m.; Ms. Andersen seconded, and the motion carried unanimously.

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board