

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

March 5, 2014

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
K. David Boyer
David Von Moll
Craig Burns
William W. Harrison, Jr.

Members Absent: Shaza Andersen

Others Present:	Kristin Reiter	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Michael Tutor	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
	Stephanie Asbell	Department of the Treasury
	Bill Watt	Department of the Treasury
	Debora Greene	Department of the Treasury
	Leslie English	Department of the Treasury
	Janet Aylor	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Kathy Green	Department of the Treasury
	Nelson Bush	PFM Asset Management
	Kristy Scott	Auditor of Public Accounts
	Don Ferguson	Office of the Attorney General
	T C Wilson	Optimal Service Group
	Brian Moore	Optimal Service Group
	Karen Hawkrigde	Optimal Service Group
	Bryce Lee	Optimal Service Group
	Laura Farmer	Virginia Department of Transportation
	John Lawson	Virginia Department of Transportation
	Michael Walsh	Virginia Department of Transportation
	Arthur Anderson	McGuire Woods
	T. W. Bruno	McGuire Woods
	Stephen Johnson	Troutman Sanders LLP

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:03 a.m. She then announced that Michael Tutor would be leaving Treasury to accept a position in Prince William County and that Gloria Hatchel would fill in until Mike's replacement is hired. She also announced a new procedure would begin today of displaying the Treasury Board packet on the video screen.

The January 15, 2014 meeting minutes were not approved at the February 2014 Board meeting, due to a lack of a quorum. Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the January 15, 2014 meeting; there being none, she asked for a vote of approval. Mr. Boyer moved for approval of the Minutes, Mr. Von Moll seconded, and the motion carried unanimously.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the February 19, 2014 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Boyer moved for approval of the Minutes, Mr. Von Moll seconded, and the motion carried unanimously.

Public Comment

None

Action Items

Resolution Approving the Proposed Terms and Structure of the Fairfax County Economic Development Authority, Commonwealth of Virginia Lease Revenue Refunding Bonds (Joint Public Uses Complex), Series 2014.

Janet Aylor introduced John Lawson, Michael Walsh, and Laura Farmer who all work for the Virginia Department of Transportation (VDOT).

Ms. Aylor distributed a revised Preliminary Financing Summary (attachment A) for the issuance of \$55,955,000 Fairfax County Economic Development Authority Commonwealth of Virginia Lease Revenue Bonds (Joint Public Uses Complex Project) Series 2014. The Bonds will be used together with other available funds (i) to refund, redeem and defease FCEDA's Commonwealth of Virginia Lease Revenue Bonds (Joint Public Uses Complex Project) Series 2006 (the "Series 2006 Bonds") and (ii) to finance the costs of issuance of the Series 2014 Bonds. All of the outstanding maturities of Series 2006 Bonds will be refunded, including the non-callable 2014, 2015 and 2016 maturities, so that the indenture under which the Series 2006 Bonds were issued (the "2006 Indenture") can be defeased. In this refunding, VDOT is seeking to achieve debt service savings as well as relief from certain covenants and structural restrictions in the 2006 Indenture. The Bond sale is scheduled for March 12, 2014 through a competitive bid sale. The estimated true interest cost as of March 3, 2014 is 1.72% and the net present value savings would be 10.15%.

Ms. Aylor introduced Bond Counsel, Arthur Anderson and T. W. Bruno of McGuire Woods, who reviewed the Resolution.

Mr. Harrison asked if after the refunding there would still be a risk that the 2006 Bonds could be taxable. Mr. Anderson answered that there is some risk, but in his opinion the refunding is the correct thing to do to reduce risk.

Mr. Boyer asked how the other organizations at the Camp 30 site would be impacted. Mr. Anderson replied that it would be business as usual.

Chairwoman Ganeriwala asked if the proposal has to go back to Fairfax County Economic Development Authority for approval. Mr. Bruno responded that it did not as the Resolution was general enough as to terms and structure.

Chairwoman Ganeriwala questioned the increase in estimated savings from the Resolution included in the Board Package and the revised Resolution. Mr. Lawson responded that the revised Resolution took into account unspent bond proceeds held by the trustee that had not been originally taken into account. The availability of these remaining funds allows for the 2014 Bonds to be retired earlier than the original Bonds, thereby providing additional savings.

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

Resolution Providing for the Issuance of Commonwealth of Virginia General Obligation Bonds, Series 2014A and General Obligation Refunding Bonds, Series 2014B.

Leslie English presented the Preliminary Financing Summary for the issuance of \$129,090,000 Commonwealth of Virginia General Obligation Bonds, Series 2014. The Bonds will be used to (i) finance the cost of acquiring, constructing and equipping revenue-producing capital projects at institutions of higher learning of the Commonwealth, (ii) refund certain maturities of its outstanding General Obligation Bonds, Series 2004B, and (iii) pay costs of issuing the Bonds.

The 9(c) Bonds will be secured by: (i) the pledge of net revenues derived from revenue producing capital projects: and (ii) both the 9(b) and 9(c) Bonds will be secured by the full faith and credit of the Commonwealth. The Bond sale is scheduled for March 26, 2014 through a competitive bid sale. The estimated true interest cost as of February 20, 2014 is 2.85% and the net present value savings is estimated at 8.83%.

Chairwoman Ganeriwala asked for a breakdown of the true interest cost between the refunding and the new money portion of the Bonds. Ms. English responded the estimated TIC for the refunding portion is .90% and the new money portion is 3.35%. Steve Johnson from Troutman Saunders reviewed the Resolution.

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 Resolution be adopted. Mr. Burns seconded, and the motion carried unanimously.

Resolution of Recognition and Appreciation for Shaza Anderson's Service on the Treasury Board.

Chairwoman Ganeriwala reviewed the Resolution of Recognition and Appreciation for Shaza Anderson for her service on the Treasury Board.

Chairwoman Ganeriwala asked if there were any further comments. 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.

Board Briefing

Optimal Service Group of Wells Fargo Advisors review of the General Account External Manager's Investment Performance for the 4th Quarter of 2013 and the Quarterly Investment Manager's performance of the TICR Endowment for Taxable and Tax-exempt Portfolios.

T. C. Wilson, Brian Moore, and Karen Hawkrigde briefed the Board on the General Account External Manager's investment performance for the 4th Quarter of 2013 and the Quarterly Investment Manager's Performance of TICR Endowment for taxable and tax-exempt portfolios.

T. C. Wilson introduced the Optimal team of presenters. Brian Moore began by noting that the economy has begun to show signs of sustained growth over the second half of the year. GDP was revised upwards twice with the most recent growth rate revised down from 3.2% to 2.4% annualized.

Karen Hawkrigde reported on the performance of external managers for the General Account. The Extended Duration and Credit Portfolio outperformed the target benchmark by ten bps in the 4th quarter. The Short Duration Portfolio managed by Merganser Capital Management matched the benchmark.

For the Intermediate Duration Portfolio, Wellington outperformed the benchmark by 20bps. The portfolio managed by Income Research declined by 10 bps and fell short of the third quarter benchmark by 10 bps. The Goldman Sachs portfolio outperformed by 10 bps.

For the Long Duration Portfolio, the portfolio managed by Earnest Partners declined 50 bps for the quarter and missed the benchmark by 40 bps. Dodge and Cox outperformed the bench mark for the quarter by 50 bps with a gain of 40bps.

Ms. Hawkrigde then briefed the Board on the TICR tax exempt and TICR taxable portfolios. The TICR tax exempt portfolio was valued at \$221.5 million and had a \$1.5 million unrealized gain. The portfolio was up .89% fiscal year to date net of fees, slightly trailing the benchmark at 1.1%. The TICR taxable portfolio was valued at \$362 million as of December 31, 2013 and had \$3.3

million of unrealized gains. The fiscal year-to-date net earnings were .8%, beating the benchmark by .3%.

Staff Reports

Debt Management

Evie Whitley reviewed the Debt Calendar as of March 3, 2014. She noted the Fairfax County Economic Development Authority Bonds and the General Obligation Bonds approved at today's Treasury Board Meeting are scheduled for sale later this month. She also noted the Virginia Public Building Authority sale shown in April will likely be delayed to May or June, and Virginia Public School Authority has issues scheduled for both April and May. Ms. Whitley also reviewed the leasing reports as of February 28, 2014.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended January 31, 2014. She informed the Board that one financial institution, Xenith Bank, was undercollateralized during the month. Ms. Reiter noted that two banks, Benchmark Community Bank and Citizens and Farmers Bank, were switching from the opt-out to the pooled method of collateralizing public deposits for the 2014 calendar year. She also noted that United Virginia Bank of Parkersburg, West Virginia had acquired Virginia Commerce Bank of Chantilly, Virginia, both qualified public depositories.

Investments


Tim Willhide informed the Board members that due to the early scheduling of the Treasury Board Meeting this month, investment statistics were not yet available. He noted that these investment reports would be electronically distributed as soon as the information was available.

Other Business

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on April 16, 2014, and the meeting adjourned at 10:10 a.m.

Respectfully submitted,



Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board

Attachment