

TREASURY BOARD
 COMMONWEALTH OF VIRGINIA
 August 24, 2016
 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
 Neil Amin
 Lou Mejia
 David Von Moll

Members Absent: Craig Burns
 Douglas Densmore

Others Present:	Jim Fiske	Auditor of Public Accounts
	Kevin Larkin	Bank of America
	Megan Gilliland	Christian Barton
	Vasyl Zuk	JPMorgan
	Karen Hawkrigde	Optimal Service Group
	T.C. Wilson	Optimal Service Group
	Brian Moore	Optimal Service Group
	Kevin Rotty	PFM Group
	Patrick Dixon	Wells Fargo Bank
	Janet Aylor	Department of the Treasury
	Belinda Blanchard	Department of the Treasury
	Kathy Green	Department of the Treasury
	Brad Jones	Department of the Treasury
	Brandy Mikell	Department of the Treasury
	James Mahone	Department of the Treasury
	Harold Moore	Department of the Treasury
	John Ockerman	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Tracey Edwards	Department of the Treasury

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:00 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the June 10, 2016 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

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 Virginia Public Building Authority's (VPBA) Preliminary Financing Summary for the issuance of \$186 million of Public Facilities Revenue Bonds, Series 2016A, \$189 million of Public Facilities Revenue Refunding Bonds, Series 2016B, \$149 million of Public Facilities Revenue Bonds, Series 2016C (AMT), and \$14 million of Public Facilities Revenue Bonds, Series 2016D (Taxable).

Mr. Jones informed the Board that the proceeds of the Bonds will go toward financing the acquisition, construction, improvement, rehabilitation, furnishing and equipping of various public facilities for use by or on behalf of the Commonwealth and its agencies; financing the Commonwealth's payment of the cost of certain grants and of regional and local jail and juvenile detention facilities projects; refunding certain maturities of its outstanding Public Facilities Revenue Bonds, Series 2009B and Series 2011A; and paying costs of issuance.

Mr. Jones stated the Bonds are scheduled to be sold by competitive bids on September 14, 2016. The estimated true interest cost as of August 11, 2016 is 2.65% for the 2016A bonds, 1.73% for 2016B, 2.88% for 2016C and 2.80% for 2016D. The estimated net present value savings of the refunding is \$22.25 million.

Mr. Jones then introduced VPBA's Bond Counsel, Megan Gilliland of Christian Barton, who reviewed the resolution.

Mr. Amin asked if staff has evaluated not including a redemption option. Mr. Jones replied that the tax-exempt bonds always include a call provision, but that various call options have been evaluated in connection with the taxable bonds. Kevin Rotty, of the PFM Group which serves as VPBA's financial advisor, said analysis on coupon structuring is also performed, but that investors like a higher coupon rate which frequently allows VPBA an option to refund bonds in the future.

Chairwoman Ganeriwala asked if there would be multiple sales for the bonds. Mr. Jones replied that there would be three separate competitive bids, one for the AMT bonds, one for the tax-exempt and one for the taxable piece.

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

Motion to approve the LGIP Operating Reserve Guidelines

Belinda Blanchard reviewed the motion to approve the LGIP operating reserve guidelines. She reminded the Board that they approved the LGIP Operating Reserve on June 17, 2015 in order to have a resource to financially support the LGIP when the State Treasurer determines it is in the best interest of the LGIP participants to do so.

Ms. Blanchard informed the Board that the purpose of this motion is to establish the following guidelines.

- Absorbing some or all of the LGIP's administrative expenses should market conditions result in a loss of fee revenue.
- Maintaining, to the extent possible, the LGIP \$1.00 per share Net Asset Value.
- Protecting the financial and liquidity interests of the LGIP participants.

Ms. Blanchard informed the Board that the State Treasurer will notify them as soon as possible when a decision is made to the operating reserve.

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. Mejia seconded, and the motion carried unanimously.

Board Briefing

Optimal Services Group of Wells Fargo Advisors – 2nd Quarter Performance Reports for the Extended Duration Credit Portfolio and TCR Endowment Portfolios

T.C. Wilson, Brian Moore, and Karen Hawkrige briefed the Board on the General Account External Managers' investment performance for the 2nd quarter of 2016 and the Quarterly Investment Manager Performance of TCR Endowment for taxable and tax-exempt portfolios for the 2nd quarter of 2016.

Mr. Moore then briefed the Board on the General Account extended duration portfolios. The portfolio was valued at \$1.2 billion and had earned income of 31.5 million. The portfolio was up 1.5% in the 2nd quarter trailing the benchmark by two basis points net of fees.

Ms. Hawkrige briefed the Board on the TCR tax exempt and TCR taxable portfolios. The TCR taxable portfolio was valued at \$279 million and had a total investment gain of \$10.2 million. The portfolio return in the 2nd quarter was 1.2 % net of fees, slightly ahead of the benchmark. The TCR tax exempt portfolio was valued at \$198.7 million and had a

total investment gain of \$9.9 million. The 2nd quarter return net of fees was 1.5%, equaling the benchmark.

Staff Reports

Debt Management

Janet Aylor reviewed the Debt Calendar as of August 1, 2016. She informed the Board that there were many issues coming in the next few months. Ms. Aylor also reviewed the leasing reports as of July 31, 2016. A fleet of vehicles for DGS were leased through the Master Lease Program this month. There was no activity in the Energy Lease Program.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended June 30, 2016. Ms. Reiter reported that one bank (Manufacturer & Traders Trust Company) was undercollateralized for the month. Ms. Reiter noted that the IDC ratings have not been updated from what was reported last month using IDC's 1st quarter preliminary 2016 ratings. Additionally, she informed the Board that the Bank of Georgetown merged into United Bank and Monarch Bank merged into Towne Bank.

Ms. Reiter then summarized quarterly statistical data for the Board. As of June 30, 2016, 107 public depositories held public deposits net of FDIC of \$8.9 billion. \$6.3 billion (71%) of the deposits were held by 34 opt-out banks; \$2.6 billion (29%) were held by 73 pooled depositories. The state's four largest public depositories held 58% of public deposits net of FDIC.

Investments

Ms. Blanchard reviewed the SNAP report as of August 9, 2016. The fund's assets were valued at \$3.0 billion. The monthly yield was 55 basis points, down one basis point from the month prior. There were \$68 million in new bond issuances for the month.

Ms. Blanchard also reviewed the Investment reports for the month ended July 31, 2016. The General Account portfolio was \$5.4 billion, down \$200 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.69%, up three basis points from the month prior. She also explained that the Extended Duration portion of the portfolio had an annualized total return of 4.46%. This resulted in the composite yield being 1.57% for the month.

Ms. Blanchard then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month. The LGIP portfolio was up \$60 million from the month and is valued at \$4.1 billion. The average yield on the portfolio was 54 basis points, and the average maturity was 36 days.

Other Business

Chairwoman Ganeriwala stated the next meeting of the Board would be on September 21, 2016. She then asked for a motion to adjourn. Mr. Mejia moved for adjournment, Mr. Amin seconded, and the motion carried unanimously.

Respectfully submitted,

Michael R. Tutor, Secretary
Commonwealth of Virginia Treasury Board