

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

February 18, 2015

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
Craig Burns
Lou Mejia

Members Absent: Douglas Densmore
William W. Harrison, Jr.
David Von Moll

Others Present:	Nelson Bush	PFM Asset Management
	Karen Hawkrigde	Optimal Service Group
	Bryce Lee	Optimal Service Group
	T. C. Wilson	Optimal Service Group
	Monica Michaud	George Mason University
	David Roe	GMU Foundation
	Mike Graff	McGuire Woods
	Megan Gilliland	Christian & Barton
	Eric Ballou	Christian & Barton
	Kevin Larkin	Bank of America
	Steve Schmmel	Bank of America
	Chuck Shimer	Kutak Rock
	Ellen Valentine	Kutak Rock
	Brian Deveney	Auditor of Public Accounts
	Belinda Blanchard	Department of the Treasury
	Leslie English	Department of the Treasury
	Debora Greene	Department of the Treasury
	Gloria Hatchel	Department of the Treasury
	Brandy Mikell	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Harold Moore	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	Michael Walsh	Department of the Treasury
	Bill Watt	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Tim Wilhide	Department of the Treasury

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:10 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the January 21, 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

Resolution of the Treasury Board approving the proposed terms and structure of a financing arrangement for the benefit of George Mason University

Mike Walsh presented the Preliminary Financing Summary for the loan to George Mason University Foundation (GMUF) Commerce Buildings, LLC for up to \$5,720,000. The lender is Sandy Spring Bank. The purpose of the loan is to (i) refinance the Industrial Development Authority of the town of Clifton Virginia Revenue Bond (GMUF Commerce Building, LLC Project), Series 2013 tax-exempt loan and (ii) pay certain issuance costs. The loan will be secured by (i) a first priority lien on the real property and improvements located at 4085-4087 University Drive, Fairfax City, Virginia 22030 (the Premises) and (ii) a first priority assignment of all leases and rents with respect to the Premises. This is a capital lease from GMUF to the University, with the University rent used to pay debt service and project expenses. The interest rate is 3.63%. Closing is scheduled for March 3, 2015. Mr. Walsh introduced Mike Graff of McGuire Woods who reviewed the Resolution. Chairwoman Ganeriwala asked about refinancing the tax exempt loan since there were no savings. Mr. Walsh responded that the University wants to refinance with a taxable loan to eliminate the private business use restrictions of a tax-exempt borrowing.

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

Resolution of the Treasury Board approving the plan of finance for the Virginia College Building Authority 21st Century College Program

Mike Walsh presented the Preliminary Financing Summary for the issuance of bonds by the Virginia College Building Authority under its 21st Century College and Equipment Programs in the amounts of \$455,625,000 Educational Facilities Revenue Bonds, Series 2015A and \$195,065,000 Educational Facilities Revenue Refunding Bonds, Series 2015B. Bond proceeds will be used to (i) finance approximately \$545.0 million of certain on-going capital projects at public institutions of higher education in the Commonwealth of Virginia, (ii) refund certain outstanding Educational Facilities Revenue Bonds, and (iii) pay costs of issuing the bonds.

The bonds would be repaid from funds appropriated for such purposes by the General Assembly. The sale is tentatively scheduled for March 3, 2015. As of February 13, the aggregate true interest cost (TIC) was estimated at is 3.0% with estimated present value savings of \$13.27 million.

Mr. Mejia asked why the fees were different for the rating agencies. Ms. Whitley responded that all the fees have gone up, but Moody's has always been higher than the others. Mr. Mejia asked if we get any discount from Moody's. Ms. Whitley responded we do get a frequent issuer discount. Ms. Whitley will look further into the higher fees charged by Moody's. Mr. Amin asked for clarification on the redemption option. Mr. Wash responded there is a 10-year no-call feature.

Mr. Walsh introduced Chuck Shimer from Kutak Rock who reviewed the Resolution.

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

Resolution of the Treasury Board providing for issuance of Commonwealth of Virginia General Obligation Bonds, Series 2015A and General Obligation Refunding Bonds, Series 2015B

Leslie English presented the Preliminary Financing Summary for the issuance of \$272,205,000 Commonwealth of Virginia General Obligation Bonds, Series 2015. The proceeds of 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 2006B, Series 2007B, Series 2008A and Series 2008B 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 at the applicable agency or institution of higher learning and certified as to the sufficiency by the Governor; 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 25, 2015 through a competitive bid sale. The estimated aggregate TIC as of February 17 is 2.56% and the net present value savings are estimated at \$20.2 million.

Chairwoman Ganeriwala asked that the difference in the types of general obligation (GO) bonds be explained to the Board. Mrs. Whitley detailed the differences between Article X, Section 9(b) and 9(c) GO bonds. Mr. Mejia asked if these bonds could be issued by the Virginia College Building Authority (VCBA). Ms. Whitley responded that an institution could elect to finance a project authorized by the General Assembly for 9(c) financing through the VCBA Pooled Bond Program. However, GO bonds receive AAA ratings while the VCBA issues are rated slightly lower. So presumably the 9(c) GO bonds would offer the lowest cost of funds.

Ms. English introduced Megan Gilliland from Christian & Barton who reviewed the Resolution.

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

Board Briefing

Presentation by The Optimal Service Group - Extended Duration and Credit Portfolio Evaluation for Periods Ending December 31, 2014 and Tobacco Indemnification and Community Revitalization Endowment (Taxable & Tax-Exempt) Portfolio Evaluation for the Periods Ending December 31, 2014

Karen Hawkrige of Optimal Service Group first presented results of the Extended Durations and Credit Portfolio (EDCP). The EDCP returned 1.2% for the Fiscal year to date, lagging its benchmark of 1.3%. Ms. Hawkrige next presented results of the Tobacco Indemnification and Community Revitalization Endowment (TICR) Taxable Portfolio. This portfolio returned .8% for the period, lagging its benchmark of .9%. Results of the TICR Tax Exempt Portfolio were presented next. This Portfolio returned 1.3% for the period, lagging its benchmark of 1.4%.

Chairwoman Ganeriwala observed that the Earnest partners Portfolio is showing good results because of their longer duration and asked if they would be adversely affected when interest rates go up. Ms. Hawkrige answered yes, they could be affected.

Mr. Amin asked why the shortest maturity range in the TICR Tax Exempt Portfolio was at 28% and the target allocation is 20%. Mr. Wilhide responded that this was not the result of intentionally shortening the interest rate risk but resulted from taking most of the TICR draws from the longer maturity managers.

T. C. Wilson of Optimal reviewed the monthly performance reports for January. Mr. Wilson also gave an update on the transition of the Deutch Bank assets in the TICR Taxable Portfolio to Income Research and Management. As of March 1, 2015, the transition will be complete.

Staff Reports

Debt Management

Evie Whitley reviewed the Debt Calendar as of February 9, 2015 noting that several issues would be coming before the Board in the upcoming months. Ms. Whitley reviewed the leasing reports as of January 31, 2015.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended December 31, 2014. Ms. Reiter reported that four banks were under collateralized for the month: two pooled banks - Bank of Virginia and Southern Bank and Trust and two opt-out banks - BB&T and Farmers and Merchants Bank. Ms. Reiter noted that the IDC ratings have been updated in December using IDC's 3rd quarter final 2014 ratings. One bank was added to the list of banks rated below average: Southern Bank and Trust. There were no new qualified public depositories. There

were no bank mergers during this reporting period. Quarterly banking statistics as of December 31, 2014 were also presented to the Board.

State Non-Arbitrage Program

Tim Wilhide reviewed the SNAP report dated January, 2015. The monthly distribution yield was up one basis point higher from December at 0.14%, outperforming the benchmark of 0.02%. Balances were down approximately \$100 million from the previous month to \$3.6 billion. There was one new bond issue added to the SNAP Fund that totaled \$24 million.

Mr. Amin asked if we could improve yield by increasing maturities. Mr. Wilhide responded that SEC Rule 2a7 governs the length of maturities. Nelson Bush added that most SNAP participants were invested in the SNAP Fund.

Investments

Mr. Wilhide reviewed the Investment reports for the month ended January 31, 2015. The General Account portfolio was \$5.4 billion, up \$420 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.24%, down 0.01% from the previous month. The Extended Duration portion of the portfolio had an annualized yield of 18.71% for the month as the sharp drop in long term interest rates during January equates to a large return when the month's gain is viewed on an annual equivalent basis, bringing the composite yield to 4.41% for the month. The year to date composite yield is 1.33%.

Mr. Wilhide then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of January 2015. He then presented the LGIP portfolio report to the Board for the month of January. The LGIP portfolio was down \$198 million from the month prior and is valued at \$2.75 billion. The average yield on the portfolio was 15 basis points, up one basis point from the month prior. The average maturity was 94 days, eight days more than the previous month.

Other Business

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on March 18, 2015. The Chairwoman handed out a listing of the scheduled 2015 Treasury Board meeting dates, noting that there were conflicts with the May and October meeting dates, and that staff would communicate with the Board to determine the best alternate dates. Chairwomen Ganeriwala asked for a motion to adjourn. Mr. Amin moved for adjournment, Mr. Burns seconded, and the motion carried unanimously. The meeting adjourned at 10:28 a.m.

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board