

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA  
March 27, 2013  
9:00 a.m.  
Treasury Board Conference Room  
James Monroe Building  
101 N. 14<sup>th</sup> Street, 3<sup>rd</sup> Floor  
Richmond, Virginia

Members Present: Manju S. Ganeriwala, Chairwoman  
David Von Moll  
William W. Harrison, Jr.  
Craig Burns  
K. David Boyer

Members Absent: Thomas N. Chewning  
Shaza Andersen

Others Present:	Tracey Edwards	Department of the Treasury
	Robert Young	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Belinda Blanchard	Department of the Treasury
	Michael Tutor	Department of the Treasury
	Debra Greene	Department of the Treasury
	Kathy Green	Department of the Treasury
	Leslie English	Department of the Treasury
	Glenn Dellinger	Department of the Treasury
	Nelson Bush	PFM Asset Management
	Brian Moore	The Optimal Service Group
	Monica Michaud	George Mason University

**Call to Order and Approval of Minutes**

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:04 a.m.

Chairwoman Ganeriwala distributed an article entitled “Tom Chewning: Social Investor” which was printed in the Richmond Times Dispatch on February 25, 2013. She congratulated Mr. Chewning on the recognition he received and gave her appreciation all of the work he does in his community.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the February 20, 2013 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 unanimously.

**Public Comment**

None

**Action Items**

### **A Motion Approving Third Party Refinancing for George Mason University**

Debora Greene reviewed the third party refinancing request by George Mason University (GMU). The financing with Banc of America Public Capital will refinance energy leases originally executed in 2005 with SunTrust. The financing will be in the amount of \$7,697,674, the closing date is March 29, 2013 and the interest rate would be 1.4233%. The refinancing will result in present value savings of \$623,955 or 8.27%. She introduced George Mason University's Director of Finance, Monica Michaud, to the Board.

Evie Whitley added that the original lease was done when Treasury Board did not have an energy leasing program. GMU solicited proposals from multiple lenders, and is doing the refinancing on their own.

Chairwoman Ganeriwala asked if it would be better to go through the Treasury Board. Ms. Whitley responded that this project would not be eligible under the Treasury Board refinancing contracts since it was not originally done through the Treasury Board.

Chairwoman Ganeriwala asked if there were any further questions; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Boyer moved the approval, Mr. Von Moll seconded, and the motion carried unanimously.

### **A Motion to Delegate the Hiring of Custody Services Provided for the State Non-Arbitrage Program (SNAP) to PFM Asset Management LLC.**

Robert Young reviewed the Motion to approve assignment of recruitment and management oversight of a financial institution to provide depository and custody services for the State Non-Arbitrage Program (SNAP) to Treasury's SNAP service provider, PFM Asset Management LLC. He stated that Treasury's existing SNAP Custody Services Contract with U.S. Bank expires September 30, 2013 and that Treasury has held discussions with PFM and Treasury's Cash Management and Investment staff about the contract. PFM as manager of the SNAP Program is currently directing all transactions and securities settlements; reconciling accounts; and resolving related issues for the SNAP portfolio as part of its day-to-day SNAP Custody Service Provider duties. It is therefore in our opinion that PFM is in the best position to review capabilities, qualifications and pricing of institutions capable of providing depository and custody services and to manage the operations on an ongoing basis. If this Motion is approved, PFM Asset Management LLC will provide a review of the RFP process and subsequent contract and pricing to the Treasury Board and will annually provide an oral and written service review of the depository and custody provider and operations to the Board.

Mr. Von Moll asked if this was a change from current practice. Mr. Young responded that this is a change from current practice where Treasury initiated a RFP for depository and custody services for the SNAP Program and made a selection for Treasury Board approval. Mr. Von Moll asked if the Motion delegated to PFM the selection of a SNAP depository and custody provider. Mr. Young responded that this would be a delegation of the selection to PFM. Mr. Bush with PFM added that since PFM is currently directing all transactions and security settlements and reconciling accounts through the current custodian, PFM is better able to make such a selection for the benefit of the Program administration. Chairwoman Ganeriwala added that it would be more efficient for PFM to be delegated the selection responsibility.

Mr. Harrison asked how long the contract would be and if the Treasury Board would be presented information on the pricing and bids and who gets to bid on the contract. Mr. Bush said that the contract would be issued as a five-year contract and that any financial institution can bid, however, in reality only about four banks can provide this type of service. He indicated that the lowest cost provider would be

selected in the bidding process and that PFM would award the contract based on the contract proposals. He further stated that PFM serves in a similar role in 14 such programs around the country. Mr. Harrison then indicated that there would be no need to report to the Board prior to selection.

Mr. Boyer indicated that he would like to see some type of annual reporting to be completed and presented to the Board. Mr. Bush agreed and stated that the Motion provides for PFM to provide a review of the RFP process and subsequent contract and pricing to the Treasury Board and provide annually an oral and written service review of the depository and custody provider and operations to the Board. Chairwoman Ganeriwala added that any issues could be reported along with the monthly SNAP report that is given to the Board.

Chairwoman Ganeriwala asked if there were any further questions. There being none, she asked for a vote of approval of the Motion. Mr. Harrison moved approval, Mr. Von Moll seconded, and the Motion carried unanimously.

### **Board Briefing**

None

### **Staff Reports**

#### **Debt Management**

Evie Whitley reviewed the Debt Calendar as of March 18, 2013. She indicated that there were three VPSA transactions scheduled for this spring, one of which will require Treasury Board approval, and a Commonwealth Transportation Board issuance currently scheduled for June.

Ms. Whitley also reviewed the leasing reports as of February 28, 2013.

#### **Security for Public Deposits**

Ms. Edwards reviewed the Security for Public Deposits (SPDA) Report for the month ended January 31, 2013. She informed the Board that one bank was undercollateralized for the month: Xenith Bank. It was the first time that it has been undercollateralized. They have pledged additional collateral.

Ms. Edwards also reviewed the current listing of banks ranked below average by IDC using the IDC Final 3<sup>rd</sup> quarter 2012 ratings.

#### **SNAP Program**

Belinda Blanchard reviewed the SNAP report as of March 20, 2013. There were new deposits of \$224 million during the month of February. The yields for February were roughly the same as in January at 24 basis points compared to 23 basis points in January. She indicated that the PFM annual report was included in the packet and Nelson Bush was on hand to answer any questions. The Board had no further questions.

#### **Investments**

Ms. Blanchard reviewed the Investment reports for the month ended February 28, 2013. The General Account portfolio was \$5.2 billion, compared to \$5.1 billion from the month prior. The average yield on the Primary Liquidity portion of the General Account was 28 basis points, same as the prior month. The annualized total return from the External Management Extended Duration portfolio was 5.37%, the first time in a couple of months that it has been positive. She also presented the LGIP portfolio report to the Board for

the month of February. The LGIP portfolio was \$2.9 billion compared to \$3.1 billion in January. The average yield on the portfolio was 19 basis points, same as the prior month. Noting the fluctuation in the LGIP WAM Mrs. Blanchard commented that the month-end WAM can fluctuate several days based solely on whether large payouts scheduled by one particular account occur on the last day business day of the month or the first day of the following month.

Chairwoman Ganeriwala asked Glenn Dellinger of the Department of Treasury if what has happened in Cyprus has affected other European banks. Glen indicated that the market has ignored it up until now. He informed the Board that the Cyprus situation is mostly affecting Italian and Spanish banks and that Treasury does not invest in any of those banks.

### **Other Business**

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on April 17, 2013. She asked if there was any further business to come before the Board. There being none, Mr. Boyer moved the meeting be adjourned at 9:41 a.m.; Mr. Burns seconded, and the motion carried unanimously.

Respectfully submitted,

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Manju S. Ganeriwala, Chairwoman  
Commonwealth of Virginia Treasury Board