

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

June 16, 2010

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
Dr. Kenneth N. Daniels
Douglas W. Densmore
Robert C. Goodman, Jr.
David A. Von Moll

Members Absent: K. David Boyer

Others Present:	Thelma Ingle	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Kathi B. Searce	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Robert Young	Department of the Treasury
	Hope Broughman	APA
	Bill Zuk	J. P. Morgan
	Nelson L. Bush	PFM Asset Management LLC.
	Bill Echelberger	Senate Finance Committee
	Samantha Martin	Governor's Fellow Secretary of Finance
	Bruce Whitehurst	Virginia Banker's Association
	Bryce Lee	Wells Fargo
	Joe Montgomery	Wells Fargo
	Jessica White	Wells Fargo
	Treasury staff and others attended	

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:03 a.m. She asked if there were any additions or revisions to the minutes of the May 20, 2010 meeting. There being none, Mr. Von Moll moved the approval of the minutes as submitted, Dr. Daniels seconded, and the motion carried unanimously.

Treasurer Ganeriwala recognized Bill Echelberger from the Senate Finance Committee and Joe Montgomery of Wells Fargo to the Board. Treasurer Ganeriwala then acknowledged the passing of Board member, colleague and friend, Janie Bowen, Virginia's Tax Commissioner.

The Treasurer stated that Ms. Bowen was a 32-year employee of the Department of Taxation, where she started her career and worked her way up through the ranks. Treasurer Ganeriwala indicated that she had been friends with Ms. Bowen for 24 years and that the Tax Commissioner was well known for her zest for life. She stated that Ms. Bowen was a true public servant and that no one knew the tax code better than she did.

Mr. Densmore moved that a Resolution honoring Ms. Bowen be prepared for the Bowen family. Mr. Goodman seconded and the motion passed unanimously.

The Board observed a moment of silence in Ms. Bowen's memory.

Mr. Von Moll left the meeting at 9:19 a.m. and did not vote on the action item(s).

Public Comment

None

Agenda Items

Motion Authorizing The State Treasurer To Negotiate And Award A Contract(S) For Financing Energy Projects Under A Master Lease Agreement

Evie Whitley reviewed the action item with the Board. Mr. Densmore asked if the contract was for a project by project line of credit. Ms. Whitley stated yes.

Mr. Goodman asked if staff had alerted other state agencies as to Treasury's expertise in this type of financing. He asked that an intergovernmental email be distributed regarding Treasury's expertise in structuring master equipment and energy lease financings. Mr. Goodman asked about Treasury providing assistance to local governments. Ms. Whitley replied that Virginia Resources Agency provides these type of services to localities. Treasurer Ganeriwala indicated that Treasury has limited staff to support this.

Chairwoman Ganeriwala asked if there were any further questions. There being none, the Chairwoman asked for approval of the motion. Mr. Densmore moved that the motion be adopted. Dr. Daniels seconded, and the motion carried unanimously.

Motion To Approve A Change In Collateralization Policy-Pooled Banks

Treasurer Ganeriwala introduced the action item, stating that staff had reached out to the Virginia Bankers Association (VBA) and Virginia Association of Community Banks (VACB) for comments about the change. The Treasurer indicated that both the VBA and VACB approved of the proposed change.

Kristen Reiter reviewed the action item in detail with the Board. She reminded the Board that they had requested the review to determine whether the Board should tighten current policy, which allows the collateral requirement of pooled banks to drop below 100% the first time their IDC rating improves to average or above after being below average for one or more quarters. Current policy requires 100% collateralization of public deposits of pooled banks that have an IDC rating of below average. The new policy will be that a pooled depository must maintain an average or above ranking (a ranking of 125 or above) for two consecutive quarters following a below average ranking, before the depository's collateral requirement will be lowered to below 100% of their public deposit balances, net of FDIC (referenced rankings are according to Treasury Board's bank rating service). This change in policy will become effective with the use of IDC's first quarter 2010 bank ratings.

Last month, the Board was provided a two-year analysis of depositories' IDC ratings, indicating changes in IDC rating between average and below average quarter to quarter. The Board decided last month to tighten the collateral policy for pooled banks as outlined in the motion after providing depositories a chance to comment on the changes.

She indicated that staff communicated the proposed change to qualified public depositories asking for feedback. No comments were received from pooled banks. Ms. Reiter said the VBA sent a follow-up notice after Treasury's communication. Bruce Whitehurst from the VBA stated that the organization had not received any comments. Staff believes the lack of response indicates the banks are satisfied with the proposed changes.

Dr. Daniels asked for the amount of total public deposits for Town Bank, which Thelma Ingle provided to the Board (Attachment A). He asked if staff had performed a stress-test on the pool. Ms. Reiter stated staff had done so. Dr. Daniels also asked staff to inquire as to what North Carolina's collateral policy is, and he requested that staff provide a spreadsheet with the stress-test data. Mr. Densmore asked that all the Board receive a copy of the stress-test.

Ms. Reiter indicated that once the motion was passed it would be effective immediately.

Chairwoman Ganeriwala asked if there were any further questions. There being none, the Chairwoman asked for approval of the motion. Mr. Goodman moved that the motion be adopted. Mr. Densmore seconded, and the motion carried unanimously.

Staff Reports:**Debt Management**

Ms. Whitley reviewed the Debt Calendar as of June 7, 2010, the MELP and VELP reports as of May 31, 2010.

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits report for the month ending April 30, 2010.

State Non-Arbitrage Program (SNAP)

Mr. Wilhide reviewed the SNAP report for the month ending May 31, 2010. Mr. Wilhide introduced Nelson Bush from PFM Asset Management, LLC. Mr. Bush indicated that there were new rules set forth by the SEC, which will have a modest impact on the pool. Mr. Bush and Mr. Wilhide indicated that the Board would receive a report in July regarding those changes.

Investments

Mr. Wilhide reviewed the Investment Report for June 2010. Mr. Wilhide stated that interest rates have fallen sharply relative to the global economy and slower growth in the European sector. Mr. Densmore asked if there were concerns about deflation and a double dip. Mr. Wilhide indicated that the majority of economists and the Fed were not concerned.

Mr. Wilhide indicated the investment portfolio would be resilient in the event of a double dip.

Mr. Wilhide reviewed the Extended Duration and Credit Portfolio report. (Attachment B) He also reviewed the General Account Investment Income report (Attachment C).

Other Business:

Treasurer Ganeriwala introduced a Samantha Martin. She is a Governor's Fellow working in the Office of the Secretary of Finance this summer.

Chairwoman Ganeriwala asked if there was any further business to come before the Board. There being none, the Chairwoman asked for a motion to adjourn. Mr. Densmore moved the approval of the moved adjournment, Dr. Daniels seconded, and the motion carried unanimously.

Adjourned: 10:30 a.m.

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board

DRAFT

Attachment "A"
Attachment "B"
Attachment "C"

Documents are available for review at

The Department of the Treasury

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