

DRAFT

**TREASURY BOARD
COMMONWEALTH OF VIRGINIA**

October 19, 2011

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
Thomas N. Chewning
Shaza Anderson
David K. Boyer
David Von Moll
Craig Burns

Members Absent: William W. Harrison, Jr.

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| Others Present: | Kristin Reiter | Department of the Treasury |
| | Tim Wilhide | Department of the Treasury |
| | Robert Young | Department of the Treasury |
| | Evie Whitley | Department of the Treasury |
| | Michael Tutor | Department of the Treasury |
| | Brian Moore | Wells Fargo Advisors |
| | Bryce Lee | Wells Fargo Advisors |
| | Eric Sandridge | Auditor of Public Accounts |
| | Kathy Green | Treasury |
| | Donald Ferguson | Attorney General's Office |

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:03 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the November 21, 2011 meeting; there being none, Chairwoman Ganeriwala asked for a vote for approval, Mr. Von Moll moved the approval of the minutes, Mr. Boyer seconded, and the motion carried unanimously.

Public Comment

None

Agenda Items

None

Staff Reports:**Debt Management**

Since PFM Asset Management group had not arrived, Evie Whitley reviewed the Debt Calendar as of October 11, 2011, the Master Equipment Leasing Program and Virginia Equipment Leasing Program reports as of September 30, 2011, and the Energy Lease Program as of September 30, 2011.

Ms. Whitley also distributed a handout entitled Final Financing Summary (Attachment A). She reported that the results from the sale of General Obligation Bonds, Series 2011A were positive. The Commonwealth was able to sell \$85.6 million of bonds to retail investors through the negotiated sale process and \$83.2 million of bonds through the competitive sale.

Board Briefing**PFM/SNAP - SNAP 3rd Quarter Portfolio Performance and Issues with the Money Fund Industry.**

Michael Varano and Nelson Bush of PFM Asset Management LLC gave a quarterly overview of the SNAP portfolio performance and discussed issues with the Money Fund Industry and the market as a whole. They distributed and reviewed a handout entitled SNAP Treasury Board Meeting Quarterly Program Update. (Attachment B).

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits report for the month ending August 31, 2011 and stated that no banks were undercollateralized in August. She also reviewed updates to the IDC Rankings Report and the statistics reports for the month ending August 31, 2011. She noted that IDC's 1st quarter 2011 final report was still being used, so there was no change from last month. She reported that Alliance Bank would be merging with EagleBank in the 4th quarter of 2011.

Ms. Reiter reported that the Bank of the Commonwealth, Norfolk, Virginia, was closed by the FDIC and the Virginia's State Corporation Commission (SCC) on September 23, 2011. She noted that the bank was a pooled public depository. She provided the public deposit balances and collateral held by the Bank at the time of closure. Southern Bank and Trust Company, headquartered in Mount Olive, North Carolina, has acquired their deposits, and wishes to continue to hold Virginia public funds. Ms Reiter noted that representatives from SCC, the FDIC, and Southern Bank were very helpful in working with us to ensure the safety of Virginia public deposits held by Bank of the Commonwealth.

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Ms. Anderson asked if anyone reviews the securities that back the bank deposits. Ms. Reiter indicated that securities pledged as collateral by depositories ranked below average by IDC are

reviewed by Treasury's investment staff. Tim Wilhide confirmed that the lists of securities held by the banks as collateral are reviewed.

Ms. Anderson noted that though Treasury is comfortable with the use of IDC to rate a bank's financial condition, she is more concerned about the underlying collateral pledged by the banks.

Since Bank of the Commonwealth was the first failure of a Virginia qualified public depository since the enactment of the Security for Public Deposits Act, Ms. Reiter asked if the Board wanted to consider additional changes regarding collateral requirements. Mr. Chewning commented that the current regulatory requirements are complicated as they are and the Board should not add to the complexity at the moment. The State Treasurer concurred that the collateral requirements had only recently been changed.

State Non-Arbitrage Program (SNAP)

Mr. Wilhide said that he would not cover the SNAP report since Michael Verano and Nelson Bush covered it during their presentation to the Board. The Board had no further questions.

Investments

Mr. Wilhide reviewed the Investment Report for September 2011. He also reviewed the Local Government Investment Pool reports as of September 30, 2011.

Mr. Wilhide reviewed and distributed a handout entitled "Commonwealth of Virginia – Extended Duration and Credit Portfolio" (Attachment C).

Other Business:

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on November 9, 2011. She asked if there was any further business to come before the Board. There being none, Mr. Boyer moved the meeting be adjourned at 10:10 a.m.; Ms. Anderson seconded, and the motion carried unanimously.

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board

Attachments "A through C"

Documents are available for review at

The Department of the Treasury