

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

May 22, 2013

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
K. David Boyer
Thomas N. Chewning
William W. Harrison, Jr.

Members Absent: Craig Burns
David Von Moll
Shaza Andersen

Others Present:	Kristin Reiter	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
	Janet Aylor	Department of the Treasury
	Leslie English	Department of the Treasury
	Bradley Jones	Department of the Treasury
	Debora Greene	Department of the Treasury
	Nelson Bush	PFM Asset Management
	Tracey Edwards	Department of the Treasury
	Kathy Green	Department of the Treasury
	David Roe	George Mason University Foundation
	John Fa	George Mason University Foundation
	Mike Graff	McGuireWoods, LLP
	Monica Michaud	George Mason University
	Kristy Scott	Auditor of Public Accounts
	Kyra Jones	Auditor of Public Accounts
	Robin Wilcox	Wells Fargo Advisors
	Karen Hawkrige	Wells Fargo Advisors
	Joe Montgomery	Wells Fargo Advisors
	Patrick Dixon	Wells Fargo Advisors
	Vasyl Zuk	JP Morgan

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:06 a.m.

Evie Whitley, Director of Debt Management introduced Bradley Jones as a new addition to the Department of Treasury's Debt Management team.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the April 17, 2013 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Chewning moved the approval of the Minutes, Mr. Boyer seconded, and the motion carried unanimously.

Public Comment

None

Action Items

Motion to Procure a Line of Credit for the Energy Leasing Program

Leslie English reviewed the motion to procure a line of credit for the Energy Leasing Program. She informed the Board that the current contract with JPMorgan Chase Bank was originally procured with a credit line of \$45 million for a length of one year beginning July 1, 2011 with an option to renew. On June 26, 2012 the option was exercised for an additional one-year period. There are no options left on the contract. Roughly, \$31 million of the original contract has been used. The current motion before the Board will be for a line of credit of \$40 million for one year and will also include an option to extend the contract another year if desired.

Mr. Chewning asked if there would be an option similar to the expiring contract and if there were fees charged for any unused portion of the funds. Ms. Whitley indicated that there would be an option to renew for an additional year and an additional \$20 million, and there were no fees for unallocated money. She indicated that they try to keep the procured line of credit to the amount that will be used.

Ms. Ganeriwala asked what the interest rate would be. Ms. English replied it was 2.103% for the current 12 year lease and 2.37% for a 15 year lease.

Mr. Harrison inquired about the status of financings under the prior contract. Ms. Whitley said that the new contract would not affect leases executed under the current contract. The new contract will be for new energy leases going forward.

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

Approval of George Mason University Leasing Agreement

Leslie English introduced Bond Counsel, Michael Graff, and David Roe, John Fa, and Monica Michaud from George Mason University. Ms. English then presented the Preliminary Financing Summary for the proposed capital lease between the University and GMUF Commerce Buildings, LLC. Lease payments by GMU will provide for the issuance of up to \$6,950,000 in revenue bonds by the Industrial Development Authority of the Town of Clifton, Virginia. The bond proceeds will be used to finance and refinance the acquisition and renovations to Commerce Buildings I & II and related parking. Of the amount financed, \$2,260,000 will be used to refinance the existing indebtedness to acquire the property earlier this year, and \$4,690,000 for renovations and costs of issuance. The Bond sale is scheduled for May 22, 2013 through a negotiated sale to Sandy Spring Bank. The true interest cost is at 2.55% for 15 years. The term will be 20 years, with a 15 year fixed interest rate at 2.55% and then be reset to the 5-year U.S. Treasury Note rate plus 2.50%.

Mr. Graff then reviewed the resolution.

Chairwoman Ganeriwala asked what the present value savings would be if refinanced. Mr. Graff responded that savings was not a driver of the strategy and they had not calculated the present value savings. The objective of the refinancing was to pay off the Bank of America note in order to give Sandy Springs Bank a clear security interest in the property. The current rate is 5.40% and the new combined rate will be a fixed 2.55% for 15 years.

Mr. Chewning asked if collateral needed to be cleared up before the new agreement takes place. Mr. Graff said that the Bank of America lien had to be released before any new deal could happen. Next, Chairwoman Ganeriwala asked if the same bank would be used after year 15. Mr. Graff indicated that they could elect to stay with the same bank at a new rate, or they may elect to prepay the obligation or obtain a new lender. Mr. Chewning then asked if there was a pre-payment penalty. Mr. Graff said there was not on or after year 9.

Chairwoman Ganeriwala asked if there were any questions. There being none, the Chairwoman asked for a Motion to approve. Mr. Boyer moved that the resolution be adopted. Mr. Chewning seconded, and the Motion carried unanimously. Mr. Harrison abstained from the vote due to his employer's involvement in the deal.

Board Briefing

Optimal Service Group of Wells Fargo Advisors review of the General Account External Managers' Investment Performance for the 1st Quarter of 2013 and the Quarterly Investment Manager Performance of TICR Endowment for Taxable and Tax-exempt Portfolios

Joe Montgomery, Robin Wilcox, and Karen Hawkrigde briefed the Board on the General Account External Manager's investment performance for the 1st Quarter of 2013 and the Quarterly Investment Manager Performance of TICR Endowment for taxable and tax-exempt portfolios.

Robin Wilcox informed the Board that the Department of Treasury does not own equities, but the market has had a big run-up over the past few months. There are still a lot of macro-economic issues complicating the economic recovery. The Central Bank's stimulus efforts have had an impact as has the low inflation in keeping the recovery on track. Ms. Wilcox informed the Board that consumer sentiment is at its highest levels in awhile, housing is still improving and weekly jobless claims are falling. She indicated that she believes that the fixed income market will not see returns like ones that have been seen in the past few years. She reported that 71% of the companies in the S&P that have reported earnings beat analyst expectation of their earnings. In addition, inflows from muni-bond funds recently turned positive for the first time in 10 weeks.

Mr. Boyer asked what industries made up the 71%. Mr. Montgomery said that they would find out and get the Board the answer. He indicated that some sectors have done better than others.

Ms. Hawkrigde then briefed the Board on the TICR tax exempt and TICR taxable portfolios. The TICR tax exempt portfolio was valued at \$247 million and had a \$9 million unrealized gain. The portfolio was up 1.9% year to date net of fees, slightly trailing the benchmark at 2.2%. The TICR taxable portfolio was valued at \$398 million as of March 31, 2013 and had \$14 million of unrealized gains. The fiscal year-to-date earnings were 2.1% beating the benchmark of 1.3%.

Staff Reports

Debt Management

Evie Whitley reviewed the Debt Calendar as of May 6, 2013. She noted the Commonwealth Transportation Board (CTB) issuance that was previously on the calendar has been postponed due to uncertainty created by a recent court decision that is viewed as unfavorable to the CTB. She also indicated that the Virginia College Building Authority has not yet funded its equipment program for 2013, so it may be coming in the summer or fall of the year. Ms. Whitley also reviewed the leasing reports as of April 30, 2013 which included requests for a new full dome 3-D projector for the Science Museum of Virginia, a fleet of Vehicles for DGS, and energy efficient equipment for the University of Virginia's Wise campus. An energy project was financed for the Virginia School of the Deaf and the Blind.

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended March 31, 2013. She informed the Board that no banks were undercollateralized for the month. She informed the Board of a new qualified escrow agent; the Trust Company of Sterne Agee, Inc.

Ms. Reiter reviewed the current IDC rankings and indicated that they had been updated from last month using IDC's 4th quarter 2012 final report. She informed the Board that Virginia Commonwealth Bank of Petersburg had been removed from the list of institutions rated below average.

Ms. Reiter summarized quarterly statistical data for the Board. At March 31, 2013, 114 public depositories held public deposits net of FDIC of \$6.9 billion. \$5.2 billion (75%) of the deposits were held by 39 opt-out banks; \$1.7 billion (25%) were held by 75 pooled depositories. The state's four largest public depositories held 64% of public deposits net of FDIC. The expiration of the Transaction Account Guarantee Program (TAG) at December 31, 2012, resulted in the overall jump in public deposit balances held by opt-out banks from \$3.4 to \$5.2 billion between December and March.

An e-mail notification was sent to escrow agents reminding them to report timely since several of them reported late over the last several months,

Investments

Belinda Blanchard distributed and reviewed the SNAP report dated May 14, 2013 (Attachment 1). She informed the Board that all issues were in compliance and balances were down slightly. The yield fell one basis point and the average maturity was 55 days, up from 52 the month prior.

Ms. Blanchard reviewed the Investment reports for the month ended March 31, 2013. The General Account portfolio was \$4.79 billion, up \$30 million from the month prior. The average yield on the General Account was 28 basis points, unchanged for the last four months. The annualized total return from the External Management Extended Duration portfolio was 8.12%, and the composite was 2.38% for April, bringing the year to date total to 1.19%. She also informed the Board that percentage of government securities increased 7% in the portfolio and credit securities decreased by the same amount.

Ms. Blanchard handed out an attachment entitled LGIP Yield Comparisons (Attachment 2). She said the information that was mailed out to Board members was incorrect, but the electronic version was correct. The LGIP portfolio was in compliance for all measures for the month of April. She then presented the LGIP portfolio report to the Board for the month of April. The LGIP portfolio was down \$253 million from \$2.8 billion the month prior. The localities collect taxes in June and December, so the portfolio should increase next month. The average yield on the portfolio was 19 basis points, unchanged for the last four months. The average maturity increased to 46 days.

Ms. Blanchard also informed the Board that the overnight repurchase agreements were at 0 basis points this morning. Nelson Bush indicated that there was \$1.3 billion in repurchase agreements in the SNAP program. He thinks the market will be like this through the end of the quarter due to the lack of collateral in the market. Rates began to fall after April 15 as cash management bills issued by the U.S. Treasury to carry them through the tax season began to mature

Other Business

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on June 19, 2013. She asked if there was any further business to come before the Board. There being none, Mr. Chewing moved the meeting be adjourned at 10:06 a.m.; Mr. Boyer seconded, and the motion carried unanimously.

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board