

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

September 16, 2009

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  
K. David Boyer, Jr.

Members Absent: Robert C. Goodman, Jr.  
Janie E. Bowen  
David Von Moll

Others Present:	Janet Aylor	Department of the Treasury
	Jeanine Black	Department of the Treasury
	Richard Davis	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Leslie English	Department of the Treasury
	Debora Greene	Department of the Treasury
	Thelma Ingle	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Sharon Price	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Karen Roth	Department of the Treasury
	Bob Schmitt	Department of the Treasury
	Connie Vaughan	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Robert S. Young	Department of the Treasury
	Donald Ferguson	Office of the Attorney General
	R. F. Sliwoski	Department of General Services
	Eric Ballou	Christian & Barton, L.L.P.
	Christine Wolfe	JLARC
	Kimberly Sarte	JLARC
	Vasyl Zuk	JPMorgan Chase
	Nelson Bush	PFM Assets Management
	Barbara Fava	PFM Assets Management
	Ronald H. Williams	Treasurers Association of Virginia
	Robert Skunda	Virginia Biotech Authority
	Richard Grattan	Wachovia Bank

Darrell Katorsich	Wachovia Bank
Stephanie Foster	Wachovia Bank
Brian Moore	Wells Fargo Advisors
T.C. Williams	Wells Fargo Advisors
Treasury staff and others attended	

### **Call to Order and Approval of Minutes**

Chairwoman Ganeriwala called the meeting to order at 9:08 a.m. and asked if there were any additions or revisions to the minutes of the August 18, 2009 meeting.

Mr. Densmore requested the minutes be amended by removing his remarks regarding expenses on page 2 as they were repeated on page 3. Additionally, he requested that on page 5, the first sentence of paragraph 3 should read: "Mr. Densmore expressed concern that the opt out option may create an unstable situation for the pool because banks that can choose to opt out due to concerns regarding the composition of the pool, will have to make the opt out decision before they know the composition".

He also requested that the last two sentences of that same paragraph read: "Mr. Densmore stated that the Board should consider making it more difficult for an opt out bank to return to the pool so that we avoid situations where opt out banks that have become weaker return to the pool, thus weakening the pool and creating more risk for the other pool banks. While we don't want fewer banks for public depositors to place their funds in, we also don't want the pool to be used as a means to enable troubled banks that have opted out to attract public deposits once they no longer can attract them in an opt out capacity".

There being no other changes requested, Mr. Densmore moved the approval of the minutes as revised, Mr. Boyer seconded, and the motion carried unanimously.

### **Public Comment**

None

### **Agenda Items**

#### **Resolution Approving the Plan of Finance for the Issuance of Commonwealth of Virginia Lease Revenue Refunding Bonds (Consolidated Laboratories Project) Series 2009 by the Virginia Biotechnology Research Partnership Authority**

Ms. Aylor reviewed the Preliminary Financing Summary for the above referenced financing. She noted that the Department of General Services would be paying the issuer fee up front rather than annually therefore realizing a savings of approximately \$40,000. Dr. Daniels asked how the cost of issuance estimates compared to other negotiated deals brought to the Board and Ms. Aylor replied they were slightly higher.

Discussion ensued regarding cost of issuance expenses and the differences associated with other financings. Dr. Daniels asked that the Board be provided with the final actual cost of issuance fees associated with the transaction. Eric Ballou from Christian & Barton, L.L.P., Bond Counsel for the financing, stated he would share those costs with the Board.

Mr. Ballou reviewed the Resolution approving the proposed terms and structure for the financing. Mr. Densmore moved to adopt the Resolution of the Treasury Board approving the proposed terms and structure of the Virginia Biotechnology Research Partnership Authority Commonwealth of Virginia Lease Revenue Refunding Bonds (Consolidated Laboratories Project), Series 2009, in the maximum aggregate principal amount of \$45,000,000 and delegating to the State Treasurer the authority to approve the final terms and structure of the Bonds (Attachment A), Dr. Daniels seconded and the motion carried unanimously.

**Motion to Approve Guidelines to Permit Banks to Withdraw From Pooling Procedures For the Payment of Losses**

Ms. Reiter distributed and reviewed changes that were being considered to the proposed Security for Public Deposits Act Treasury Board Guidelines to Permit Banks to Withdraw From Pooling Procedures For the Payment of Losses (Attachment B). Mr. Densmore asked, in the case of a bank merger, would the new bank have to apply to be in the SPDA program if they were not already participating. Ms. Reiter stated they would have 60 days to submit an application. Dr. Daniels referred to that scenario and asked, should the bank incur losses, would the bank or the SPDA pool be affected. Ms. Reiter stated that it would depend upon the strength of the takeover bank. She stated they would work closely with the FDIC in such instances but ultimately the pool would be affected.

The Board recognized the hard work involved in preparing the final guidelines and expressed its appreciation for staffs' efforts. Pursuant to Section 2.2-4405(5) of the Code of Virginia of 1950, as amended, that empowers the Treasury Board to establish guidelines to permit banks to withdraw from pooling procedures for the payment of losses under § 2.2-4403 and instead be governed by the procedures for the payment of losses under § 2.2-4404, Mr. Boyer moved that the Treasury Board Guidelines to Permit Banks to Withdraw from Pooling Procedures for the Payment of Losses be approved, Mr. Densmore seconded and the motion carried unanimously. These Guidelines will remain in effect until further notice is provided by the Board.

**Motion To Adjust The Collateral Pledging Requirements For The Securing Of Public Deposits By Savings Banks And Savings And Loan Associations**

Ms. Reiter distributed and reviewed changes that were being considered to adjust the collateral pledging requirements for the securing of public deposits by savings banks and savings and loan associations (Attachment C). She noted that reporting requirements had been changed to a quarterly basis rather than weekly; however, she stated should concerns arise, weekly reporting could be reinstated. Ms. Reiter reviewed that the minimum collateral requirement for banks ranked below average by IDC Financial Publishing had been increased to 120% of public deposit balances for banks ranked between 75 and 124 and 130% of public deposit balances for banks ranked below 74 by IDC or without an IDC rating.

Discussion ensued regarding pledges of collateral and reporting requirements. Dr. Daniels moved to approve the motion to adjust the collateral pledging requirements for the securing of public deposits by savings banks and savings and loan associations (Attachment D), Dr. Boyer seconded and the motion carried unanimously.

### **Motion To Approve The PFM Funds Proxy Document And Assignment Of SNAP Contract**

Barbara Fava from PFM reviewed that, since a change in control of PFM's parent entity is anticipated, it would necessitate approval of a new agreement to enable PFM to continue to provide the same services it currently provides for the SNAP program. Mr. Wilhide stated that the new agreement is identical to the current agreement with PFM.

Donald Ferguson, General Counsel to the Board, distributed a letter of opinion(Attachment E) and stated that changes discussed in the Proxy Statement would not materially alter the terms and conditions of the Board's existing investment advisory agreement. Mr. Boyer moved to vote "for" the proposal to approve a new investment advisory agreement between the Trust (PFM Funds), on behalf of Prime Series, and PFM Asset Management LLC ("PFM"), and to consent to the deemed assignment of the SNAP contract between the Virginia Treasury Board and PFM upon the change in control of the holding company of PFM, Dr. Daniels seconded and the motion carried unanimously.

### **Staff Reports:**

#### **Debt Management**

Ms. Whitley reviewed the Debt Calendar as of September 8, 2009, and the MELP and VELP reports as of August 31, 2009. She distributed a cost of issuance comparison report for both competitive and negotiated sales approved by the Board (Attachment F). Mr. Densmore asked if the report could be sorted by par amount and Ms. Whitley replied that it could. Dr. Daniels asked that staff supply the report to the Board on a quarterly basis.

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

Ms. Reiter reviewed the Security for Public Deposits report and the IDC rankings report for the month ending July 31, 2009. Chairwoman Ganeriwala asked how many banks holding public deposits were ranked below 74 and Ms. Reiter stated that 12 depositories were currently on IDC's watch list.

#### **State Non-Arbitrage Program (SNAP)**

Mr. Wilhide reviewed the SNAP report for the month ending August 31, 2009.

**Investments**

Mr. Wilhide reviewed the Investment Report for September 2009. He distributed and reviewed a corrected LGIP Asset allocation and Risk Profile for August 2009 (Attachment G).

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. Dr. Daniels moved the approval. Mr. Boyer seconded, and the motion carried unanimously. The meeting adjourned at 10:22 a.m.

**Other Business:**

None

Respectfully submitted,

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Manju Ganeriwala, Chairwoman  
Commonwealth of Virginia Treasury Board

**Attachment "A"**  
**Attachment "B"**  
**Attachment "C"**  
**Attachment "D"**  
**Attachment "E"**  
**Attachment "F"**  
**Attachment "G"**

Documents are available for review at

The Department of the Treasury

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