

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

October 19, 2016

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  
Douglas Densmore  
Lou Mejia  
David Von Moll

Members Absent: Neil Amin  
Craig Burns

Others Present:	Don Ferguson	Office of the Attorney General
	Nicole Bennett	Auditor of Public Accounts
	Brian Jones	Bank of America
	Kevin Larkin	Bank of America
	Susan Van Leunen	George Mason Foundation
	Tracy White	George Mason Foundation
	Monica Michaud	George Mason University
	James Johnson	Optimal Service Group
	T.W. Bruno	McGuire Woods
	Mike Graff	McGuire Woods
	Emily Abrantes	PFM Group
	Nelson Bush	PFM Group
	April Kees	Senate Finance Committee
	Adam Rosatelli	Senate Finance Committee
	Robin Wilcox	Wells Fargo Advisors
	Julie Berger	Wells Fargo Bank
	Mark Burns	Wells Fargo Bank
	Barbara Carroll	Wells Fargo Bank
	Patrick Dixon	Wells Fargo Bank
	Laura Farmer	Department of Transportation
	Misty Upson	Department of Transportation
	Janet Aylor	Department of the Treasury
	Leslie English	Department of the Treasury
	Kathy Green	Department of the Treasury
	Debora Greene	Department of the Treasury
	James Mahone	Department of the Treasury
	Harold Moore	Department of the Treasury

John Ockerman  
 Kristin Reiter  
 Bill Watt  
 Tim Wilhide

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### **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 September 21, 2016 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Densmore moved for approval of the Minutes, Mr. Mejia seconded, and the motion carried unanimously.

### **Public Comment**

None

### **Action Items**

#### **A Resolution of the Treasury Board Approving the Terms and Structure of a Financing Arrangement benefiting George Mason University (Student Housing Project)**

Janet Aylor presented the Preliminary Financing Summary for the issuance of up to \$16.1 million Tax-Exempt Refunding Revenue Bonds to be issued by the Industrial Development Authority of the County of Prince William for the refunding of the GMUF Prince William Housing LLC Project Series 2011A bonds. The bonds are scheduled for negotiated sale on November 14, 2016. The estimated true interest cost as of October 7, 2016 is 3.23%. The anticipated present value savings is \$873,369 which equates to a 5.9% savings.

Mike Graff, representing McGuireWoods, reviewed the Resolution.

Mr. Densmore asked if the purpose of the refunding was to save on interest costs and if issuance costs were in line with other bond deals. Ms. Aylor said that lower interest costs were the reason for the refunding. She said the issuance costs were similar to past issuances. The difference with this deal was the inclusion of the underwriter's fees.

Chairwoman Ganeriwala asked if the savings would be passed back to the University. Mrs. Aylor replied that it would.

Mr. Von Moll asked why item #2 in the resolution listed a maturity date of 27 years if the maturity was supposed to be no longer than the current bonds. Ms. Aylor and Mr. Graff responded that it was to provide a cushion if needed and the maturity would be consistent with the previous issuance.

The Board agreed that the item # 2 in the Resolution should read “(b) the final maturity of the Series 2016 Bonds shall not exceed 25 years after the date of issuance”. Bond Counsel agreed to the change in the Resolution.

Chairwoman Ganeriwala asked if there were any further questions. There being none, Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Densmore moved that the modified Resolution be adopted. Mr. Von Moll seconded, and the motion carried unanimously.

**A Resolution of the Treasury Board Approving the Terms and Structure of a Financing Arrangement benefiting George Mason University (Prince William Life Sciences Lab)**

Janet Aylor presented the Preliminary Financing Summary for the issuance of up to \$38 million Taxable Refunding Revenue Bonds to be issued by the Industrial Development Authority of the County of Prince William for the refunding of the GMUF Prince William Life Sciences Lab LLC Project Series 2011A bonds. The bonds are scheduled for negotiated sale during the week of November 14, 2016. The estimated true interest cost as of October 7, 2016 is 3.49%. The purpose is to convert from tax-exempt to taxable bonds due to research activities that take place in the building that do not meet the criteria for tax-exempt financing.

Mr. Densmore asked why the issuance costs are higher than the resolution just approved. Janet Aylor replied that it was due to the size of the sale.

Mr. Densmore then asked if the debt service costs will increase. Ms. Aylor replied that the impact will be minimal. The Foundation has indicated that they would not proceed with the sale if debt service payments would be largely affected.

Chairwoman Ganeriwala asked if there would be any savings with the refunding. Ms. Aylor indicated that there would not be much, maybe one percent.

Mrs. Ganeriwala asked how they selected the underwriter. Ms. White of the GMU foundation replied that they went through a RFP process.

Mike Graff, representing McGuireWoods, reviewed the Resolution.

The Board agreed that the item # 2 in the Resolution should read “(b) the final maturity of the Series 2016 Bonds shall not exceed 25 years after the date of issuance”. Bond Counsel agreed to the change in the Resolution.

Chairwoman Ganeriwala asked if there were any further questions. There being none, Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Von Moll moved that the modified Resolution be adopted. Mr. Densmore seconded, and the motion carried unanimously.

**A Resolution Approving the Plan of Finance for the Issuance and Sale by the Commonwealth Transportation Board of the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2016**

Janet Aylor presented the Preliminary Financing Summary for the issuance of up to \$317 million Commonwealth Transportation Board, Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2016. The proceeds of the Bonds are being used to provide for the payment of certain costs of certain eligible transportation projects in the Commonwealth and certain costs related to the issuance of the 2016 Notes. The Bonds are scheduled for negotiated sale on October 25, 2016. The estimated true interest cost as of October 11, 2016 is 2.30%.

The 2016 Notes are the fourth series issued by the Transportation Board under the GARVEE act. There are \$560 million in notes outstanding of the \$1.2 billion available to be issued at any given time.

T.W. Bruno, representing McGuireWoods, reviewed the Resolution.

Mr. Densmore asked how much the state will receive from the federal government for the debt service. Ms. Aylor replied that the coverage will be 16 times the debt service for the high end and 13 times at the low end.

Chairwoman Ganeriwala asked why the principal amount issued was \$400 million in the resolution, when they are asking for \$317 million. Ms. Aylor and T.W. Bruno replied that it was the desire of PRAG to leave the cushion in there in case of fluctuations in the market.

Chairwoman Ganeriwala asked if there were any further questions. There being none, Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Von Moll moved that the Resolution be adopted. Mr. Mejia seconded, and the motion carried unanimously.

**A Resolution Approving the Plan of Finance for the Issuance and Sale of Revenue Bonds by the Virginia College Building Authority of Educational Facilities Revenue Bonds Series 2016D (21st Century College and Equipment Program)**

Janet Aylor presented the Preliminary Financing Summary for the issuance of up to \$66.5 million Virginia College Building Authority, Educational Facilities Revenue Refunding Bonds, Series 2016D. The proceeds of the Bonds are being used to refund the Authority's outstanding variable Rate Educational Facilities Revenue Bonds Series 2006B and Variable Rate Educational Facilities Revenue Bonds, Series 2006, and to pay cost of issuance. The Bonds are scheduled for competitive sale on November 15. The estimated true interest cost as of October 6, 2016 is 1.52%.

Jane Sper, representing Kutak Rock, reviewed the Resolution.

Chairwoman Ganeriwala asked if there were any further questions. There being none, Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Densmore moved that the Resolution be adopted. Mr. Von Moll seconded, and the motion carried unanimously.

#### **A Resolution in Recognition and Appreciation of William Harrison, Jr.**

Chairwoman Ganeriwala reviewed the Resolution of Recognition and Appreciation for William Harrison's service on Treasury Board.

Chairwoman Ganeriwala asked if there were any further comments. There being none, the Chairwoman asked for a Motion to approve. Mr. Densmore moved that the Resolution be adopted. Mr. Mejia seconded, and the Resolution was approved unanimously.

#### **Board Briefing**

None

#### **Staff Reports**

##### **Debt Management**

Janet Aylor reviewed the Debt Calendar as of October 1, 2016. She indicated that Commonwealth Transportation Sale would be on October 25. It was listed on the calendar twice. The VPSA QZAB sale would be \$2.7 million instead of the \$22.7 million listed on the calendar.

Ms. Aylor also reviewed the leasing reports as of September 30, 2016. DGS procured a fleet of vehicles in the amount of \$425,286 in the Master Lease Program during the month. There was no activity with the Energy Lease Program.

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

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended August 31, 2016. Ms. Reiter reported that one bank, Freedom Bank of Virginia, was undercollateralized for the month. There were no new qualified public depositories. One bank merger was reported. Bank of Virginia merged into First Citizens Bank & Trust.

Ms. Reiter noted that the IDC ratings have been updated from what was reported last month as they are now using IDC's 2<sup>nd</sup> quarter final 2016 ratings. EVB Bank is no longer being ranked below average and was removed from the list. No banks have been added to the list as below average.

##### **Investments**

Mr. Wilhide reviewed the SNAP report as of September 30, 2016. The fund's assets were valued at \$2.8 billion, \$250 million less than the month prior. The monthly yield was 35 basis points, down thirteen basis point from the month prior, due to the conversion of the portfolio to a government fund pending the conversion to an LGIP. The weighted average maturity of the fund was 40 days. There were \$31 million in new bond issuances for the month.

Mr. Wilhide also reviewed the Investment reports for the month ended September 30, 2016. The General Account portfolio was \$5.2 billion, up \$373 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.74%, up five basis points from the month prior. Mr. Wilhide explained that the Extended Duration portion of the portfolio had an annualized total return of .84 % as a result of the increase in interest rates. This resulted in the composite yield being .76% for the month.

Mr. Wilhide then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month. The LGIP portfolio was down \$334 million from the month prior and is valued at \$3.2 billion. The average yield on the portfolio was 62 basis points, up four basis point from the month prior. The average maturity was 29 days, up two days from the previous month.

Mr. Wilhide updated the Board on the SNAP portfolio conversion. He informed members of the Board that the conversion has been going slowly and taken more time than was anticipated due to contract documentation review between PFM and Treasury and cyber security and contract language negotiation issues with vendors who submitted RFP responses. Mr. Wilhide noted that this delayed an award by three weeks and when it was clear there was no more room for negotiations the RFP Committee moved immediately to negotiations with other vendors who submitted acceptable RFP responses for Custodian and Depository. Negotiations with these vendors appear close to being completed.

Mr. Mejia asked when the issue was discovered and why wasn't this known up front.

Mr. Wilhide noted that as recently as mid-September it still appeared the process would be complete by October 1. Nelson Bush of PFMAM told the Board that PFMAM had had delays in drafting contract language for the new amended SNAP contract allowing the conversion and had not submitted its proposed revisions to the SNAP contract and its proposed Official SNAP Document to Treasury staff until the close of business the prior day, October 18.

Mr. Densmore asked if a participant can go into the LGIP when they sign the agreement or if they need to wait until all participants join.

Mr. Bush responded that there is no requirement that all Participants sign before the LGIP is running; once a Participant signs the new agreement to invest in the SNAP LGIP vehicle that Participant's money can be invested immediately.

Mr. Mejia asked what the impact to the investors will be from the slow conversion.

Mr. Bush stated that at the current size of the SNAP Portfolio the lower interest earnings due to the expected yield differences between a “Prime “ LGIP and the current SNAP Government only money market portfolio is approximately \$850,000 per month.

Mr. Densmore asked if counsel has been involved in the discussions.

Mr. Ferguson said he has been involved only in recent discussion regarding vendor language for the custodian and depository agreements.

Chairwoman Ganeriwala asked if there was a sense of how much of the fund is not able to be converted.

Mr. Bush stated that approximately \$120,000,000 of the nearly \$3 Billion in SNAP assets are revenue bond proceeds that cannot be immediately converted an LGIP but new bond issue proceeds of those same Participants (approximately three entities) would be eligible for immediate investment in an LGIP vehicle.

Mr. Densmore asked why this was the first time the Board is hearing about the trouble with the conversion.

Mr. Wilhide stated that until very recently it appeared the conversion would take place by October 1.

Mr. Mejia asked that the Board members receive an update on the situation. Chairwoman Ganeriwala asked staff to update the Board in two weeks.

### **Other Business**

Chairwoman Ganeriwala stated the next meeting of the Board would be on December 14, 2016. She then adjourned the meeting at 10:37 a.m.

Respectfully submitted,

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Michael R. Tutor, Secretary  
Commonwealth of Virginia Treasury Board