

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

April 19, 2017

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
Craig Burns
James Carney
Douglas Densmore
Lou Mejia
David Von Moll

Members Absent: Neil Amin

Others Present:	Don Ferguson	Office of the Attorney General
	Katie Collins	Auditor of Public Accounts
	Ty Wellford	Davenport
	John Crooks	Department of Planning & Budget
	Vasyl Zuk	JP Morgan
	Kathleen Bowe	PFM Group
	T.W. Bruno	McGuireWoods
	April Kees	Senate Finance Committee
	Reid Andrews	Wells Fargo
	Holger Ebert	Wells Fargo
	Karen Hawkridge	Wells Fargo Advisors
	Joe Montgomery	Wells Fargo Advisors
	Brian Moore	Wells Fargo Advisors
	Neil Boege	Department of the Treasury
	Kathy Green	Department of the Treasury
	Debora Greene	Department of the Treasury
	Brad Jones	Department of the Treasury
	James Mahone	Department of the Treasury
	Harold Moore	Department of the Treasury
	John Ockerman	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Sandra Stanley	Department of the Treasury
	Bill Watt	Department of the Treasury
	Tim Wilhide	Department of the Treasury

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 January 18, 2017 meeting. Mr. Carney asked that Dan Siegel and Jessie Bausch from Sands Anderson Law firm be added to the list of attendees along with Thomas Sherman and Laura Farmer of the Department of Transportation. In addition, he requested the word “was” be included after less and before than on the first line of page 3.

Chairwoman Ganeriwala asked for a vote of approval of the amended minutes. Mr. Densmore moved for approval of the Minutes as amended, Mr. Von Moll seconded, and the motion carried unanimously.

Public Comment

None

Action Items

Resolutions Approving the Plan of Finance for the Issuance and Sale of School Educational Technology Notes, Series XVII, and Sale of School Security Equipment Notes, Series V by the Virginia Public School Authority

Jay Mahone presented the Preliminary Financing Summary for the issuance of \$73.1 million of School Technology and Security Notes, Series V. The proceeds of the Notes are being used to make approximately \$73.1 million of grants to establish a computer-based instructional and testing system for the Standards of Learning and to develop the capability for high speed Internet connectivity at high schools followed by middle schools followed by elementary schools and to help offset the costs associated with the purchase of appropriate security equipment. The Notes are scheduled for competitive sale on May 3, 2017. The estimated true interest cost as of March 6, 2017 is 1.50%. The Notes are limited obligations of the Authority payable from appropriations by the Virginia General Assembly from the Literary Fund and the General Fund of the Commonwealth of Virginia.

T.W. Bruno informed the Board that the two authorizations are approved by two separate resolutions but are combined for efficiency reasons. He added that the Resolution gives the State Treasurer the authority to combine the sale of notes. He also noted that there is one set of notes sold to bondholders.

In response to a question regarding bonds being offered as “premium” bonds, Chairwoman Ganeriwala stated that the market has been looking for bonds sold at a premium since the financial crisis. Ty Wellford opined that the expectation is that rates will rise. Bonds sold at a premium hold value better than bonds sold at par value in a rising interest rate environment.

Discussion ensued.

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

Chairwoman Ganeriwala asked for a motion to approve the Resolutions. Mr. Densmore moved that the Technology Resolution be adopted. Mr. Burns seconded, and the motion carried unanimously.

Mr. Von Moll moved that the Security Resolution be adopted. Mr. Densmore seconded, and the motion carried unanimously.

Board Briefing

Optimal Services Group of Wells Fargo Advisors – 1st Quarter Performance Reports for the Extended Duration Credit Portfolio and TICR Endowment Portfolios

Joe Montgomery, Brian Moore, and Karen Hawkridge briefed the Board on the General Account External Managers' investment performance for the 1st quarter of 2017 and the Quarterly Investment Manager Performance of TICR Endowment for taxable and tax-exempt portfolios for the 1st quarter of 2017.

Mr. Moore briefed the Board on the General Account extended duration portfolios. The portfolio was valued at \$1.2 billion and had earned income of \$23.5 million. The portfolio was up seventy basis points for the quarter trailing the benchmark by ten basis points net of fees.

Ms. Hawkridge briefed the Board on the TICR tax exempt and TICR taxable portfolios. The TICR taxable portfolio was valued at \$263 million and had earned income of \$5.9 million FY to date and an unrealized investment loss of \$ 2.3 million. The portfolio return in the 1st quarter was fifty basis points net of fees, trailing the benchmark by ten basis points. The TICR tax exempt portfolio was valued at \$195.8 million, earned income of 3 million FY to date and had an unrealized loss of \$2.6 million FY to date. The 1st quarter return net of fees was 1.4%, trailing the benchmark by twenty basis points.

Staff Reports

Debt Management

Brad Jones reviewed the Debt Calendar as of April 1, 2017. He indicated that not all the items listed on the debt calendar would come to the Treasury Board for approval and that May would be a busy month for bond sales.

Mr. Jones also reviewed the leasing reports as of March 31, 2017. DGS procured a fleet of vehicles and the Department of Forestry procured John Deere Dozers in the total amount of \$2 million leaving \$23.7 million available through the line of credit in the Master Lease Program. 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 February 28, 2017. Ms. Reiter reported that no banks were under collateralized for the month.

There was one new qualified depository added; FBNP Narrows. The bank has two branches and \$60 million in assets.

Ms. Reiter noted that the IDC ratings have not been updated from what was reported last month as they were still using IDC's 3rd quarter final 2016 ratings.

Investments

Mr. Wilhide reviewed the SNAP report as of March 31, 2017. The fund's assets were valued at \$3.3 billion, unchanged from the month prior. The monthly yield was 98 basis points, up five basis points from the month prior. The weighted average maturity of the fund was 50 days, unchanged from the month prior. There were \$318 million in new bond issuances for the month.

Tim Wilhide reported the conversion of the SNAP account to an LGIP has been completed. Kathleen Bowe, of PFM, said they are working closely with localities to ensure language is approved for those who could not use the new LGIP now, could do so in the future.

Mr. Wilhide also reviewed the Investment reports for the month ended March 31, 2017. The General Account portfolio was \$5.5 billion, down \$343 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.99%, down one basis point from the month prior. Mr. Wilhide explained that the Extended Duration portion of the portfolio had a yield to maturity of 2.28 %. This resulted in the composite yield being 1.28% for the month.

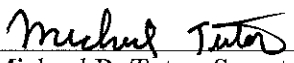
Neil Boege then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of March. The LGIP portfolio was down \$170 million from the month prior and is valued at \$3.2 billion. The average yield on the portfolio was 92 basis points, up four basis points from the month prior. The average maturity was 40 days, up eight days from the previous month.

Mr. Wilhide indicated that Standard & Poors' rating agency provided the stress test formula to Treasury and that he would email an example.

Other Business

Chairwoman Ganeriwala stated the next meeting of the Board would be on May 17, 2017. She then adjourned the meeting at 10:15 a.m.

Respectfully submitted,



Michael R. Tutor, Secretary
Commonwealth of Virginia Treasury Board