

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

February 21, 2018

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
Neil Amin
Douglas Densmore
Lou Mejia
David Von Moll

Members Absent: Craig Burns
James Carney

Others Present:	Lauren Bennett	Auditor of Public Accounts
	Kevin Larkin	Bank of America Merrell Lynch
	Warren Van der Way	BB&T
	Ray Vaughn	BB&T
	Eric Ballou	Christian & Barton
	Bill Zuk	J.P. Morgan
	Christine Parker	M&T Bank
	David Richardson	McGuire Woods
	Don Ferguson	Office of the Attorney General
	James Johnson	Optimal Service Group
	Karen Logan	Optimal Service Group
	Brian Moore	Optimal Service Group
	Kathleen Bowe	PFM
	Nelson Bush	PFM
	Kevin Rotty	PFM
	Stephanie Jennelle	Radford University
	Chad Reed	Radford University
	John Cox	Radford Foundation
	Sean Ekiert	Raymond James
	Ron Tillett	Raymond James
	Patrick Dixon	Wells Fargo
	Janet Aylor	Department of the Treasury
	Neil Boege	Department of the Treasury
	Vernita Boone	Department of the Treasury
	Nathan Conquest	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Leslie English	Department of the Treasury
	Kathy Green	Department of the Treasury

Debora Greene	Department of the Treasury
Brad Jones	Department of the Treasury
Jay Mahone	Department of the Treasury
Dan Nicholas	Department of the Treasury
Kristin Reiter	Department of the Treasury
Elmer Rodriguez	Department of the Treasury
Sandra Stanley	Department of the Treasury
David Swynford	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 9:05 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the December 20, 2017 meeting. The Board members received a revised set of minutes, which corrected a date of an upcoming meeting. Chairwoman Ganeriwala asked for a vote of approval of the minutes. Mr. Densmore moved for approval of the amended minutes, Mr. Amin seconded, and the amended motion carried unanimously.

Chairwoman Ganeriwala introduced her new assistant, Vernita Boone, Treasury's Management Fellow, Nathan Conquest and SPDA Analyst, Elmer Rodriguez. Tim Wilhide introduced Treasury's new Credit Analyst, Dan Nicholas.

Public Comment

None

Action Items

Resolution Approving the Terms and Structure of a Financing Arrangement Benefiting Radford University

Ms. Aylor introduced Chad Reed and Stephanie Jennelle from Radford University, John Cox from Radford University Foundation, Dave Richardson from McGuire Woods, Ron Tillett and Sean Eikert from Raymond James, and Ray Vaughn and Warren Van der Way of BB&T.

Janet Aylor presented the Preliminary Financing Summary for two taxable term loans to the Radford University Foundation from BB&T Bank totaling \$32.5 million. One loan is a variable rate loan in the amount of \$22.5 million and the other loan is a fixed rate loan in the amount of \$10 million. These loans will be used to finance the acquisition of seventeen housing properties near the campus of Radford University. The loans will be secured by a capital lease between the Foundation and the University which will mirror the debt service on the loans plus operating costs, as well as a mortgage on the properties to be acquired. The loans are scheduled for

closing on or about April 25, 2018. The combined true interest cost at January 30, 2018 was 2.90%.

Mr. Chad Reed, Associate Vice President for Budget and Financial Planning for Radford University, assisted by John Cox, CEO of the Radford University Foundation, gave an overview of the project and the financing emphasizing the importance of this project to Radford University. The University expects to be able to acquire the properties from the Foundation prior to May of 2022 when there is a balloon payment on the loans.

Discussion ensued.

Dave Richardson, representing McGuireWoods as bond counsel, reviewed the Resolution.

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

Motion to Extend the Current Contracts for the Financial Advisor to Treasury Board

Janet Aylor reviewed the motion to extend the current contracts for the Treasury Board's Financial Advisors. The RFP for these contracts was issued in 2014 for a term of three years with two one-year renewals. This is the final renewal available for this contract. In advance of the April 20, 2019 expiration date, a Treasury will issue a RFP in the beginning of 2019 to procure a new Financial Advisory Contract.

Currently, Public Resources Advisory Group is the primary and Hilltop Securities, Inc. is the secondary advisor.

Chairwoman Ganeriwala asked for a motion to approve the Resolution. Mr. Amin moved that the amended Resolution be adopted. Mr. Von Moll seconded, and the motion carried unanimously.

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

Brian Moore and Karen Hawkrigde briefed the Board on the General Account External Managers' investment performance for the 4th quarter of 2017 and the Quarterly Investment Manager Performance of TICR Endowment for taxable and tax-exempt portfolios for the 4th 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 \$4 million. The portfolio was up ten basis points for the quarter equaling the benchmark net of fees.

Ms. Hawkrigde briefed the Board on the TICR tax exempt and TICR taxable portfolios. The TICR taxable portfolio was valued at \$251 million and had an unrealized investment loss of \$2.2

million. The portfolio return in the 4th quarter was a negative ten basis points net of fees, beating the benchmark by ten basis points. The TICR tax-exempt portfolio was valued at \$189 million and had an unrealized gain of \$1million FY to date. The 4th quarter return net of fees was thirty basis points trailing the benchmark by 10 basis points.

Staff Reports

Debt Management

Janet Aylor reviewed the Debt Calendar as of February 1, 2018. Ms. Aylor noted that there will be many bond sales in the spring. General obligation 9C bonds are planned for issuance sometime in the summer.

Ms. Aylor also reviewed the leasing reports as of January 31, 2018. She informed the Board that \$31.6 million was issued under the Master Lease Program leaving a line of credit balance of \$11.5 million. She also informed the board that no money was provided under the Energy Lease Program and the line of credit balance is \$36.5 million.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended December 31, 2017. Ms. Reiter reported that no banks were under collateralized for the month. Ms. Reiter noted that the IDC ratings have been updated to IDC's 3rd Quarter 2017 report. She also informed the Board that Capital Bank merged into First Tennessee Bank and will be operating as Capital Bank in Virginia. They hold \$40 billion in assets and are the fourth largest regional bank in the southeast.

Ms. Reiter then summarized quarterly statistical data for the Board. As of December 31, 2017, 95 public depositories held public deposits net of FDIC of \$8.1billion. Of the total, \$5.6 billion (69%) of the deposits were held by 32 opt-out banks; \$2.5 billion (31%) were held by 63 pooled depositories. The state's four largest public depositories held 54% of public deposits net of FDIC. Ms. Reiter also noted that 63% of public deposits net of FDIC were held by out-of-state banks.

State Non-Arbitrage Program

Nelson Bush reviewed the SNAP report as of February 13, 2018. The fund's assets were valued at \$3.5 billion. The monthly yield was 1.52%, fourteen basis points more than the month prior. The weighted average maturity of the fund was 34 days. There were \$3.5 million in new issuances for the month.

Investments

Mr. Boege reviewed the Investment reports for the month ended January 31, 2018. The General Account portfolio was \$7 billion, up \$1 billion from the month prior. The average yield on the Primary Liquidity portion of the General Account was 1.45%, up thirteen basis points from the month prior. The Extended Duration portion of the portfolio had a yield to maturity of 2.75 %. This resulted in the composite yield being 1.68% for the month.

Mr. Boege then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of January. The LGIP portfolio was roughly unchanged from the month prior and is valued at \$4.6 billion. The average yield on the portfolio was 1.50%, up twelve basis points from the month prior. The average maturity was 40 days, down 11 days from the previous month.

Finally, Mr. Boege reviewed the LGIP Extended Maturity portfolio. The LGIP Extended Maturity portfolio was in compliance for all measures for the month of January. The net asset value yield to maturity was 1.60%, up four basis point from the month prior. The average duration was 0.78 years.

Other Business

Chairwoman Ganeriwala stated that the next meeting of Treasury Board would be held on March 21, 2018. The meeting adjourned at 10:13 a.m.

Respectfully submitted,

Michael R. Tutor, Secretary
Commonwealth of Virginia Treasury Board