

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

January 20, 2010

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
Janie E. Bowen
K. David Boyer, Jr.
Dr. Kenneth N. Daniels
Douglas W. Densmore
Robert C. Goodman, Jr.
David A. Von Moll

Members Absent: None

Others Present:	Janet Aylor	Department of the Treasury
	Jeanine Black	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Tracy Clemons	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
	Margaret Layne	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Melissa Palmer	Department of the Treasury
	Sharon Price	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Kathi B. Scarce	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Robert S. Young	Department of the Treasury
	Hope Broughman	APA
	Eric Ballou	Christian & Barton
	Vasyl Zuk	J.P. Morgan Chase
	Nelson Bush	PFM Asset Management
	Steve Johnson	Troutman Saunders, LLP
	Bryce Lee	Wells Fargo Advisors
	David Staples	Wells Fargo Advisors
	T.C. Wilson	Wells Fargo Advisors
	Treasury staff and others attended	

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:03 a.m. She asked if there were any additions or revisions to the minutes of the December 16, 2009 meeting. There being none, Mr. Von Moll moved the approval of the minutes as submitted, and Mr. Boyer seconded, and the motion carried unanimously.

Public Comment

None

Agenda Items**Resolution Approving the Plan of Finance for the issuance by the Virginia Public Building Authority of its Public Facilities Revenue Bonds, Series 2010A and its Public Facilities Revenue Refunding Bonds Series 2010B**

Sherwanda Cawthorn reviewed the action item with the Board. Ms. Cawthorn indicated that the Series 2010A and Series 2010B bonds would be used to finance or refinance acquisitions, construction, improvements, rehabilitation, furnishing and equipping various public facilities for use by the Commonwealth and its agencies. The bonds will also finance the Commonwealth's share of certain jail and juvenile detention facility projects along with refunding certain maturities of outstanding Public Finance Revenue Bonds over the past six years.

Ms. Cawthorn stated that the bonds would be competitively bid with the serial bonds maturing annually in years 2011 through 2030. Expected ratings for the bonds are AA+, Aa1 and AA+.

Eric Ballou from Christian & Barton reviewed the resolution with the Board. Mr. Goodman asked about the additional costs of issuance related to the refunding bonds. Mr. Ballou responded that the refunding required additional review of the refunded projects to ensure compliance with federal tax law.

Treasurer Ganeriwala asked for an explanation of the refunding to ensure the Board had a clear understanding of the \$275 million stated in the resolution versus the \$58 million described in the preliminary financing summary. Mr. Ballou explained the \$58 million was the more likely amount, as it requires only a small decrease in interest rates to meet the Treasury Board refunding guidelines. A somewhat larger decrease could make up to \$275 million eligible for refunding; accordingly the resolution had been drafted to provide flexibility. No refunding will occur unless required present value savings are achieved.

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

Motion to Adopt the Post-Issuance Compliance Policy for Tax-Exempt Qualified Obligations

Ms. Whitley reviewed with the Board the reasons for adopting Post-Issuance Compliance Policy and indicated that Steve Johnson from Troutman and Sanders was available to answer questions. She reminded the Board that a draft policy had been distributed at the December meeting, and no comments or changes had been received. Mr. Johnson noted the four major areas of Internal Revenue Service (IRS) concern based on their audit questionnaire: Who on staff is responsible, record retention, arbitrage rebate compliance, and private business use. The policy is meant to address these areas. Mr. Goodman indicated he would like the Board to receive a report on any compliance issues that arise and any actions taken to remedy the issue.

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

After the vote was taken, Dr. Daniels asked about the cost of funding for different projects. Ms. Whitley pointed to the report that had been included in the Board packet on project funding. Dr. Daniels indicated that he would like information on how proceeds were allocated for Virginia Department of Transportation projects. He requested a report that shows how staff monitors proceeds expenditures.

Motion to Delegate Authority to the State Treasurer to Approve the Sub-contracting of SPDA Escrow Agent Services by Community Bankers' Bank

Kristin Reiter distributed the motion to the Board (Attachment A). She explained that on December 18th, the FDIC closed Independent Bankers' Bank (IBB) of Springfield, Illinois and set up a bridge bank to operate the Bank until FDIC could find a buyer for it. Community Bankers Bank (CBB) and IBB together functioned as escrow agent for thirty-three of our qualified public depositories, holding securities pledged to the Treasury Board totaling \$290 million at the end of November.

On January 13th, the FDIC completed the sale of IBB to The Independent Bankers Bank (TIB) of Irving, Texas. TIB currently holds the collateral pledged to the Treasury Board by those depositories using CBB and IBB as escrow agent.

CBB is the only escrow agent that had obtained approval from the Treasury Board to subcontract some of the escrow agent functions to a third-party. In January 1999, the Treasury Board approved CBB's subcontracting of the safekeeping functions required of the public deposit security agreements (Agreement(s)) to IBB.

With the closure of IBB, CBB is evaluating proposals from several other bankers' banks to partner with them to perform the safekeeping functions required under the Agreement. The

proposals include one from TIB. CBB plans to make a decision regarding this within the next week to ten days.

All new public deposit security agreements will need to be executed among the Treasury Board, CBB, and their new safekeeping partner. These Agreements will have to be approved by the banks' board of directors.

Because CBB is again subcontracting the safekeeping functions required by the public deposit security agreement, the subcontracting of functions again requires Treasury Board approval. Ms. Reiter brought the Board's attention that the Agreement requires both CBB and their partner to be jointly and severally liable for any breach thereof.

To expedite the process since this affects so many qualified public depositories and will minimize the Commonwealth's exposure since the Treasury Board does not currently have a signed deposit agreement with TIB, the motion delegates to the State Treasurer the authority to approve the subcontracting of the SPDA escrow agent services by Community Bankers Bank.

Staff reviewed IDC rankings of the two bankers' banks with which CBB is negotiating. The banks have IDC ratings of average or superior for the last year.

Mr. Densmore asked how the escrow agent functions in the process. Ms. Reiter explained the process. Mr. Goodman addressed concerns about the public deposit security agreements, especially as it relates to obtaining a perfected security interest in the collateral as addressed by Items 4 and 7 of the Agreement. He asked if the securities were electronic and asked if the agreement adequately addressed this issue. Mr. Densmore and Mr. Goodman asked that the Agreement be reviewed by the Office of the Attorney General and staff to ensure that it is up-to-date and protects the interests of the Treasury Board, to include addressing the payment of legal fees if the contract is litigated and reviewing the language in Item 18 relating to the contract being governed by the laws of the Commonwealth of Virginia to ensure the language cannot be challenged.

Mr. Boyer asked what was driving the need to address the agreements at this point in time. Treasurer Ganeriwala stated that the sale of IBB to TIB by the FDIC occurred the day the packet was sent out without advance notification. The securities pledged as collateral to the Treasury Board were now being held by TIB. The Treasurer stated that the Board should act sooner rather than later. Mr. Densmore stated that the Board should act immediately to protect its interests while staff is studying revisions to the public deposit security agreement. Mr. Goodman stated that the revisions need to be drafted to ensure the Treasury Board has a perfected security interest in the pledged collateral. Mr. Ferguson suggested that he work with Mr. Goodman and Mr. Densmore to make revisions to the public deposit security agreement.

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

Presentation – Quarterly Report on External Investment Managers – General Accounts - T.C. Wilson, The Optimal Service Group of Wells Fargo Advisors

T.C. Wilson from Wells Fargo Advisors updated the Board with a quarterly review of the General Accounts portfolio ending December 31, 2009 (Attachment B). He pointed out that the Board had made the right decisions in how to protect the Commonwealth's assets. Mr. Wilson stated that staying the course had made a difference in the Treasury's portfolio.

Staff Reports:

Debt Management

Ms. Whitley reviewed the Debt Calendar as of January 11, 2010, the MELP and VELP reports as of December 31, 2009. She also reviewed the financial summary for the Virginia College Building Authority and the quarterly report on recent bond sales, which is a cost issuance correlation related to the size of the sale.

Janie Bowen left the meeting at 10:35 a.m.

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits report for the month ending November 30, 2009.

State Non-Arbitrage Program (SNAP)

Tim Wilhide reviewed the SNAP report for the month ending December 31, 2009.

Investments

Mr. Wilhide reviewed the Investment Report for January 2010, and an Extended Duration and Credit Portfolio report was handed out. (Attachment C)

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 of the moved adjournment, Mr. Densmore seconded, and the motion carried unanimously.

Other Business:

None

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board

DRAFT

Attachment "A"
Attachment "B"
Attachment "C"

Documents are available for review at

The Department of the Treasury

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