

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

August 20, 2012

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  
David Von Moll  
K. David Boyer  
Thomas N. Chewning  
William W. Harrison, Jr.

Members Absent: Shaza Anderson  
Craig Burns

Others Present:	Kristin Reiter	Department of the Treasury
	Robert Young	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Kathy Green	Department of the Treasury
	Leslie English	Department of the Treasury
	Janet Aylor	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Glenn Dellinger	Department of the Treasury
	Belinda Blanchard	Department of the Treasury
	Donald Ferguson	Attorney General's Office
	Kevin Rotty	PFM
	Brian Moore	Optimal Service Group of Wells Fargo
	T.C. Wilson	Optimal Service Group of Wells Fargo
	Karen Hawkridge	Optimal Service Group of Wells Fargo
	Jason Powell	Senate Finance Committee
	Rodney Oliver	Virginia Port Authority
	Patrick Dixon	Wells Fargo
	Ron Tillet	Raymond James/Morgan Keegan
	Hart Lee	Williams Mullen

**Call to Order and Approval of Minutes**

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:04 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the July 18, 2012 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Von Moll moved the approval of the Minutes, Mr. Harrison seconded, and the motion carried unanimously.

### **Public Comment**

None

### **Action Items**

#### **Resolution Approving a Plan of Finance for the Issuance by the Virginia Port Authority of its Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B and Series 2012C.**

Evie Whitley reviewed the Preliminary Financing Summary for the Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B and Series 2012C. She indicated the Series 2012B would be issued on a taxable basis since the original issue of Private Activity bonds cannot be advanced refunded on a tax exempt basis. The Series 2012C would be tax exempt.

She introduced Rodney Oliver representing the Virginia Port Authority, and Kevin Rotty was representing PFM. Chairwoman Ganeriwala also introduced Ron Tillett who was representing Raymond James as the underwriter for the issuance.

Mr. Hart Lee reviewed the two resolutions for the two series of bonds.

Mr. Chewing asked what the estimated savings would be on the two refunding. Ms. Whitley informed the Board that there would be a 6.1%, \$299,797 present value savings on Series 2012C and a 5.8%, \$2.3 million present value savings on Series 2012B.

Chairwoman Ganeriwala asked why there were no serial maturities on the tax exempt Series C bonds. Ms. Whitley stated that the original Series 2005B bonds were structured to “wrap” their maturities at the end of the original Series 2005A bonds. The Series C Refunding Bonds are structured in the same way with maturities following the Series 2012B Refunding Bond. Chairwoman Ganeriwala also asked if there were any changes to the maturity dates. Mr. Lee indicated that there were no changes.

Chairwoman Ganeriwala asked if there were any questions. There being none, the Chairwoman asked for a Motion to approve Series 2012B. Mr. Von Moll moved that the resolution be adopted. Mr. Chewing seconded, and the Motion carried unanimously. Next, the Chairwoman asked for a Motion to approve Series 2012C. Mr. Chewing moved that the resolution be adopted. Mr. Von Moll seconded, and the Motion carried unanimously. Mr. Harrison abstained from the vote as he indicated that his firm was representing the Port Authority for this bond issuance.

### **Board Briefing**

## **Optimal Service Group of Wells Fargo Advisors' Review of the General Account External Managers' Investment Performance for the 2<sup>nd</sup> Quarter of 2012.**

T.C. Wilson, Brian Moore, and Karen Hawkrigde reviewed the performance of the General Account External Managers' Investment Performance for the second quarter. The portfolio earned a 1.6% return for the quarter, matching its benchmark.

They presented to the board a brief overview of the economy. Brian Moore informed the Board of the main issues affecting the markets; the economy, the situation in Europe, and the coming Presidential Election.

Chairwoman Ganeriwala asked why Dodge and Cox did so poorly for the quarter. Mr. Moore said they were overweighted with corporate and asset backed securities. As indicated at prior board meetings, Dodge and Cox has not changed its processes.

Mr. Boyer asked if it was pre-mature to think about replacing Dodge and Cox. Mr. Tim Wilhide indicated that he has been monitoring the situation, but it was not pre-mature to discuss the possibility.

Chairwoman Ganeriwala asked what the weighted average duration was for Dodge and Cox. Mr. Wilhide said it was just over 6 years. Mr. Wilson asked whether or not going forward, it was a good fit, as it may not be good to hold onto longer duration portfolio's with interest rates so low.

T.C. Wilson distributed and reviewed a handout entitled "Fixed Income Weekly" (attachment A).

### **Staff Reports**

#### **Debt Management**

Evie Whitley reviewed the Debt Calendar as of August 1, 2012.

Ms. Whitley indicated that the Virginia Port Authority issuance needed to be added to the Debt Calendar on August 28<sup>th</sup>. She also informed the Board that the October 10<sup>th</sup> General Obligation Bond issuance will probably be postponed due to a lack of projects to be included.

Ms. Whitley reviewed the Final Financing Summary for the Federal Transportation Grant Anticipation Revenue Notes, Series 2012B. The true interest cost was 2.387%.

Ms. Whitley reviewed the leasing reports.

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

Ms. Reiter reviewed the Security for Public Deposits Report for the month ended June 30, 2012. She informed the Board that three banks were under collateralized for the month. They pledged

additional collateral or had a drop in their public deposit balances the beginning of July so no additional collateral was required.

Ms. Reiter indicated that two public depositories had merged; First Community Bancshares, Inc acquired Peoples Bank of Virginia. Two banks withdrew from the SPDA Program in June (Heritage Bank and United Central Bank).

Ms. Reiter reviewed the current IDC rankings and indicated that collateral requirements had been updated using IDC's first quarter 2012 rankings. Five banks had rating increases and are no longer ranked below average. One bank's rating dropped to below average.

Chairwoman Ganeriwala asked about the status of an issue addressed several months ago with the pledging of securities by one of the Program's larger public depositories. Ms. Reiter informed the Board that the issue with Wells Fargo had been resolved. Wells Fargo had switched from pledging mortgage-back securities to municipal securities, pledging, in some cases, the entire bond issue of a municipality. There were concerns about pricing the issues and selling them. Based on our concerns, Wells Fargo agreed to switch back to the use of mortgage-back securities as collateral, Mr. Chewing asked why Manufacturers and Traders had been undercollateralized for three straight months. Ms. Reiter said that the bank had not previously held public deposits. They had a misunderstanding regarding the pledging of securities to collateralize the public deposits. They had pledged collateral internally with their bank, but not with their SPDA-designated Escrow Agent.

### **Investments**

Mr. Wilhide reviewed the SNAP and Investment reports for the month ended July 31, 2012. He also presented the LGIP portfolio report to the Board for the month of July.

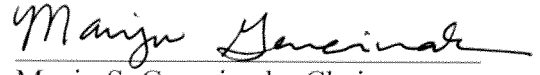
Mr. Wilhide indicated the Security Lending portfolio had been slowly reduced by one-third—from \$1.5 billion to \$1 billion. He indicated that there was not enough compensation for the amount of risk being taken. Mr. Wilhide also indicated that Treasury will continue to evaluate the portfolio for further adjustments, as needed. A brief discussion followed focusing on the possible extent and timing of further changes in the program.

### **Other Business**

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on September 19, 2012. She asked if there was any further business to come before the Board, There being none, Mr. Boyer moved the meeting be adjourned at 10:00 a.m.; Mr. Chewing seconded, and the motion carried unanimously.

Respectfully submitted,

A handwritten signature in cursive script that reads "Manju Ganeriwala". The signature is written in black ink and is positioned above a horizontal line.

Manju S. Ganeriwala, Chairwoman  
Commonwealth of Virginia Treasury Board