

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

May 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
David A. Von Moll

Members Absent: Janie E. Bowen
K. David Boyer, Jr.
Dr. Kenneth N. Daniels
Douglas W. Densmore
Robert C. Goodman, Jr.

Others Present: Kristin Reiter Department of the Treasury
Kathi B. Scearce Department of the Treasury
Evie Whitley Department of the Treasury
Tim Wilhide Department of the Treasury
Robert Young Department of the Treasury
Brian Moore Optimal Services Group/Wells Fargo
T.C. Wilson Optimal Services Group/Wells Fargo
Pat Satterfield Virginia Association Community Bankers
Bruce Whitehurst Virginia Bankers Association
Treasury staff and others attended

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and guest then called the meeting to order at 1:30 p.m. As there was not a quorum, the minutes of the April 21, 2010 meeting were set aside for approval at the June meeting.

Public Comment

None

Presentation

First Quarter Tobacco Indemnification Community Revitalization Endowment Report; Optimal Services Group – Wells Fargo; presented by T.C. Wilson and Brian Moore.

Mr. Moore pointed out that the municipal bond market performed well, and that the Fed has maintained interest rates. As there are no guidelines for the BBB rated bonds, the Board should look at the impact of taking BBB rated bonds out of the benchmark to see what the numbers are for net performance results.

Staff Reports:

Debt Management

Ms. Whitley provided a Final Financing Summary for the Commonwealth Transportation Board bond sale. (Attachment A)

Ms. Whitley reviewed the Debt Calendar as of May 10, 2010, the MELP and VELP reports as of April 30, 2010. She stated that the energy financial contract expires at the end of June. As there was not a quorum available for the May meeting, she indicated that staff would issue an RFP for the contract for award at the June meeting.

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits report for the month ending March 31, 2010. Ms. Reiter indicated that depositories' collateral requirements based on IDC ratings were adjusted in March for IDC's 4th quarter preliminary ratings. Six banks were required to increase their collateral requirements based on the new ratings. Ms. Reiter also reviewed the SPDA statistics reports for the quarter ended March 31, 2010. At March 31, 2010, one hundred twenty qualified public depositories held public deposit balances, net of FDIC, of \$4.5 billion.

Ms. Reiter stated that the Treasury Board had requested an analysis of the IDC ratings of public depositories and fluctuations in these ratings and its impact on collateral requirements. The analysis applies only to pooled banks as opt-out banks are already collateralized more than 100%. The Board wanted to determine whether it should tighten current policy which allows pooled depositories' collateral requirements to drop below 100% the first time their IDC ratings are average or above after having an IDC rating of below average for one or more quarters. Current policy requires 100% collateralization of public deposits, net of FDIC, of pooled banks that have an IDC rating of below 125, which is considered a below average rating by IDC.

The issue is whether the SPDA collateral pool is taking on additional risk by allowing pooled public depositories with ratings below average either for one quarter or longer to have their collateral requirements lowered at the first quarterly rating at or above 125. One third of public depositories are currently rated below average. Staff recommended two options to tighten the current policy.

Treasurer Ganeriwala asked Pat Satterfield of the Virginia Association of Community Banks and Bruce Whitehurst of the Virginia Bankers Association (VBA) about the two options staff proposed. Ms. Satterfield and Mr. Whitehurst agreed that comments should be requested from the pooled public

depositories since it is these banks that bear the risk. There was general agreement that the second option to require public depositories to be rated average or above for two quarters below lowering their collateral requirement below 100% after being rated below average would be the option easier to administer. The Board directed Ms. Reiter to revise the report to reflect only this more conservative option and disseminate the information to public depositories. The VBA will send companion correspondence to their members to reinforce Treasury's message. Comments received from banks will be presented at the June Treasury Board meeting.

State Non-Arbitrage Program (SNAP)

Mr. Wilhide reviewed the SNAP report for the month ending April 30, 2010.

Investments

Mr. Wilhide reviewed the Investment Report for May 10, 2010. Mr. Wilhide distributed the Net Investments Extended Duration and Credit Portfolio report (Attachment B) as of April 30, 2010.

There being no more reports for the Board's review, Chairwoman adjourned the meeting at 2:35 p.m.

Other Business:

None

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board

Attachment "A"
Attachment "B"

Documents are available for review at

The Department of the Treasury