

POOLED MONEY INVESTMENT BOARD
915 Capitol Mall, Room 110
Sacramento, CA 95814

MINUTES

Wednesday, March 17, 2004

The meeting was called to order at 10:02 a.m.

Roll: Francisco Lujano for State Treasurer Philip Angelides
Cindy Aronberg for State Controller Steve Westly
Steve Kessler for Director of Finance Donna Arduin

Staff Present: Barbara Lloyd, Executive Secretary, PMIB
Doug Spittler, State Treasurer's Office
Gina Greer, Attorney General's Office
Linda McAtee, State Treasurer's Office

APPROVAL OF MINUTES

The Minutes for the meeting of February 18, 2004 had one minor change – the word banking on page 3, first paragraph was changed to building. The Board then approved the minutes, 3-0.

APPROVAL OF PMIB DESIGNATION NO. 1657

Mr. Doug Spittler of the Investment Division of the State Treasurer's Office indicated that there was no forecast this month. He then presented the portfolio Summary Report as of March 8, 2004. On that day, the portfolio stood at \$52.120 billion. The effective yield was 1.476%, the quarter-to-date yield was 1.484% and the year-to-date yield was 1.572%. The average life of the portfolio was 168 days and AB 55 Loans approved stood at \$5.961 billion with \$1.706 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$22.654 billion and 2,732 participants.

Designation No. 1657 was approved, 3-0.

APPROVAL OF SURPLUS MONEY DECLARATIONS/REDUCTIONS

Mr. Doug Spittler presented the changes in the Surplus Money Investment Fund for the period February 1, 2004, through February 29, 2004. During that period \$7.735 billion was declared surplus in various special funds, while \$6.859 billion was declared to be a reduction in surplus.

The Surplus Money Declaration/Reduction for the month of February, 2004 was approved, 3-0.

APPROVAL OF SURPLUS MONEY INVESTMENT FUND REQUESTS

Mr. Doug Spittler presented a SMIF request from the California State Teachers' Retirement System (CalSTRS) for the Special Deposit Fund, 403 (b) Information Bank Account (Fund Number 0942090). Mr. Spittler said staff had reviewed the request and recommended its approval.

The Board accepted staff's recommendation and approved the request, 3-0.

DEPOSITORY BANKS: WOMEN, INFANT & CHILDREN (WIC) PROGRAM – AB 313 (INFORMATION ITEM)

Mr. Bruce VanHouten, Director of the Cash Management Division of the State Treasurer's Office, presented the item regarding the Women, Infant and Children (WIC) program, noting it was an informational item. The State Treasurer's Office (STO) had been approached by the Department of Health Services (DHS) to help DHS implement AB 313. Implementing this proposal would require the Treasurer to contract with one of the State's seven depository banks to capture the grocer identification numbers that would be imprinted on the WIC vouchers. The STO would then pay the bank for performing this work for the DHS through the compensating balances process. This would necessitate the STO going before the Pooled Money Investment Board (PMIB) to ask for an increase in the designated balances for banking services to cover this cost. The STO then would enter into an Interagency Agreement with the DHS to compensate the STO for the cost of the contract. The funds for the contract would actually come from the federal government as a reimbursement to the STO. The STO would then remit this money to the General Fund, so there would be no impact to the General Fund.

Following the staff presentation, a discussion ensued. Mr. Kessler asked when the bill had been chaptered and staff indicated that it was in 2002. Mr. Kessler then asked about the cost of additional administrative overhead. Mr. VanHouten said he understood the DHS has a \$4 million cap to implement this process without any additional federal approval.

Mr. Kessler mentioned that he had knowledge of WIC because he had been the Deputy Director for Primary Care and Family Health programs for about six years while working for the DHS. He raised concerns about the impact these increased administrative costs might have on funding for the assistance program.

Ms. Lloyd noted that the request to the STO to facilitate this process was from the Department of Finance (DOF), and that the STO was simply implementing those requests. Mr. Kessler noted the potential impact on the STO budget if the overall WIC voucher program were to be handled away from the STO. Mr. VanHouten noted that the current proposal would maintain the existing STO functions, and allow the new services to capture the grocer I.D. information for "any authorized grocer" to be contracted externally. He also noted that this process is at its beginning stages.

Mr. Kessler indicated he would be looking at alternatives and would have staff look at what might be the most cost effective way to address his concerns. Mr. VanHouten said he would be able to invite the DHS to a future PMIB meeting to answer questions. Ms. Lloyd noted that this is the beginning of a solicitation process and that the DHS as well as the DOF will get the results of that solicitation process. The overall availability of the needed services and their potential costs will be better understood at that point, even though fully reimbursable from the federal government ultimately.

APPROVAL OF AB 55 LOANS

Mr. Chris Vance of the Public Finance Division of the State Treasurer's Office presented nine loan requests. He noted that there were six loans for general obligation bond programs and three loans for lease revenue bond programs. The first loan presented (*Item a.*) was from the State Allocation Board/Office of Public School Construction for the Class Size Reduction K-U Public Education Facilities Bond Act of 1998 (K-12) for \$199,115,000.00. The second loan (*Item b.*) was from the State Water Resources Control Board for the Safe, Clean, Reliable Water Supply Bond Act of 1996 for \$18,314,197.55. The third loan request (*Item c.*) was from the State Water Resources Control Board for the Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Bond Act of 2000 for \$162,707,283.53. The fourth loan (*Item d.*) was from the Department of Fish and Game for the Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Bond Act of 2000 for \$10,731,266.55. The fifth loan presented (*Item e.*) was from the University of California for the Higher Education Facilities Bond Act of June 1990 for \$114,668.86. The sixth loan (*Item f.*) was from the Department of Veterans Affairs for the Veterans' Homes Bond Act of 2000 for \$14,719,000.00. The seventh loan (*Item g.*) was from California Community Colleges/SPWB Lease Revenue Bond program for the College of the Sequoias, Multimedia Learning Resource Center for \$13,257,000.00. The eighth loan request (*Item h.*) was from the Office of Emergency Services/SPWB Lease Revenue Bond program for the Los Angeles Regional Crime Laboratory for \$28,918,000.00. The ninth loan (*Item i.*) was from the Department of General Services/SPWB Lease Revenue Bond program for the Central Plant Renovation for \$5,000,000.00. Mr. Vance said all loans were recommended for approval as presented.

Mr. Lujano then stated that before making a motion to approve the loans he had a comment to read from the Treasurer regarding agenda item 7 (i) for the Department of General Services, Central Plant Renovation project.

The State Treasurer is prepared to authorize this initial amount of interim funding for the Central Plant Project as requested by the Department of General Services (DGS).

He asks that it be noted for the record, as expressed at the March 15, 2004 Public Works Board meeting, that the Treasurer will be very interested in the status of outreach, design and planning issues for this project and all others related to the larger West End Capitol Area improvements, in particular the integration of the City of Sacramento and the community into the outreach, design and planning process. DGS staff has committed to the Public Works Board to report back on the outreach plan within 120 days.

So, as additional interim funding requests are made of the Pooled Money Investment Board (PMIB) in the future, the Treasurer will expect the status of these outreach and related activities to be reported to this Board so they can be considered in evaluating the interim funding request. The Treasurer's concerns will continue to be both the nature of the process and the nature of the project, including:

- The need for ample community outreach and input into design process
- Full consideration of mixed uses
- Use of a nationwide Request for Qualifications to select a highly qualified, experienced urban design team to most cost-effectively deliver a project that meets the State's needs and creates an asset of optimum value

Ms. Cindy Aronberg noted that the Controller agrees that it is important to be sure that this project conforms to what the community wants and needs and that the designs, especially the towers, not harm the waterfront. He also supports the comments made at the Public Works Board meeting where concerns about design and function were discussed. Ms. Aronberg then made a motion to approve all the loans.

All nine loan requests were approved as recommended by staff, 3-0.

PUBLIC COMMENT

None.

In the absence of further business, the meeting was adjourned at 10:19 a.m.

Respectfully submitted

Barbara Lloyd
Executive Secretary