

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

MINUTES

Wednesday, July 20, 2005

The meeting was called to order at 10:00 a.m.

Roll: Francisco Lujano for State Treasurer Philip Angelides
Cindy Aronberg for State Controller Steve Westly
Anne Sheehan for Director of Finance Thomas J. Campbell

Staff Present: Mark Paul, Executive Secretary, PMIB
Doug Spittler, State Treasurer's Office
Connie LeLouis, Attorney General's Office
Mark Paxson, State Treasurer's Office

APPROVAL OF MINUTES

The Minutes for the meeting of June 15, 2005, were approved as submitted, 3-0.

APPROVAL OF PMIB DESIGNATION NO. 1673

Mr. Doug Spittler of the State Treasurer's Office presented the portfolio Summary Report as of July 13, 2005. On that day, the portfolio stood at \$56.248 billion. The effective yield was 3.083%, the quarter-to-date yield was 3.066% and the year-to-date yield was 3.066%. The average life of the portfolio was 181 days and AB 55 Loans approved stood at \$5.161 billion with \$1.769 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$18.662 billion with 2,702 participants.

Designation No. 1673 was approved, 3-0.

APPROVAL OF AUTHORIZATION FOR GENERAL FUND INTERNAL BORROWING

Mr. Doug Spittler presented this document, which authorizes the General Fund to borrow from internal sources – the special funds and accounts within the State Treasury – to meet its cash needs during periods of shortfall. The authorization presented at this meeting was for the period August 1, 2005, through October 31, 2005. He noted that the amount available from various internal funds was estimated to be \$10.080 billion.

The Authorization for General Fund Internal Borrowing for the period August 1, 2005, through October 31, 2005, was approved, 3-0.

APPROVAL OF SURPLUS MONEY DECLARATION/REDUCTION

Mr. Doug Spittler presented the changes in the Surplus Money Investment Fund for the period June 1, 2005, through June 30, 2005. During that month, \$10.085 billion was declared surplus in various special funds, while \$10.703 billion was declared to be a reduction in surplus.

The Surplus Money Declaration/Reduction for the month of June 2005 was approved, 3-0.

APPROVAL OF SURPLUS MONEY INVESTMENT FUND REQUESTS

Mr. Spittler presented two requests for this month. The first request was from the Department of Motor Vehicles for the Special Deposit Fund, Federal Asset Forfeiture Account (Fund Number 0942072). The second request was from the Department of Insurance for the Special Deposit Fund, American Home Assurance Company (Fund Number 0942150). Mr. Spittler said that staff had reviewed both requests and recommended their approval.

The Board accepted the staff's recommendations and approved both requests, 3-0.

PRESENTATION OF THE STATE TREASURER'S OFFICE "INVESTMENT POLICY FOR THE POOLED MONEY INVESTMENT ACCOUNT"

Mr. Spittler presented the State Treasurer's *Investment Policy for the Pooled Money Investment Account* as approved by the Treasurer on June 29, 2005. Government Code requires the Treasurer to annually present a written statement of investment policy to the Pooled Money Investment Board and to notify the Board any time there is a material change in the statement of investment policy. Chapter 16, Statutes of 2005, amended the PMIA statutory investment authority by adding limited liability companies to the types of entities allowed to issue commercial paper. This statute contained an urgency clause and, therefore, its provisions took immediate effect. On June 29, this office modified its investment policy to incorporate these statutory changes into its policy.

About five years ago, legislation added asset-backed commercial paper (where the issuers were organized as special purpose corporations or trusts) to the list of authorized investment options for the PMIA. Over a period of several months following this change, the STO Investment Division submitted the names of about 12 asset-backed, commercial paper issuers to the Board for their approval. Approximately a year later, a number of these issuers changed their business structure from the corporate to the LLC format and, therefore, ceased to be an authorized investment option for the PMIA. This situation was monitored for a year or so and then this past year the STO decided to pursue legislation to add this form of business organization to the types of entities that are allowed to issue commercial paper. The immediate impact of this change would be to allow the Investment Division to again purchase the asset-backed commercial paper

of the previously approved companies that changed their business structure from the corporate to LLC form.

Ms. Aronberg asked if the limited liability part of the business organizational structure meant that investors in their commercial paper had less security. Mr. Spittler indicated that it is just a different form of business organization. For the most part, it's the assets of the entity that provide security to investors, whether they are organized as corporations, trusts, special purpose corporations, or limited liability companies. In the case of asset-backed CP issuers, there would also be credit enhancements such as letters of credit, surety bonds and overcollateralization to support them. For our existing programs, the same things that backed them up as corporations back them up as limited liability companies.

APPROVAL OF AB 55 LOANS

Mr. Glen Mercer of the Public Finance Division of the State Treasurer's Office presented thirteen loan requests as shown in the following table. He noted that the first five loans (8.a. – 8.e.) were for general obligation programs, that Loan 8.f. was for the California Housing Finance Agency, Loan Warehousing Program, and that the remaining seven loans (8.g. – 8.m.) were for other lease revenue programs.

Agenda Item	Loan Number	Type	Department/Program	Adjusted Loan Amount
8.a.	0560008	GO/Renewal	University of California Class Size Reduction K-U Public Education Facilities Bond Act of 1998 (Hi-Ed)	\$15,600,267.67
8.b.	0560009	GO/Renewal	University of California Public Education Facilities Bond Act of 2002 (Hi-Ed)	\$192,770,000.00
8.c.	0560010	GO/Renewal	California Community Colleges Public Education Facilities Bond Act of 2002 (Hi-Ed)	\$160,658,035.55
8.d.	0560011	GO/Renewal	Department of Corrections New Prison Construction Bond Act of 1990	\$1,765,000.00
8.e.	0560012	GO/Renewal	State Water Resources Control Board Safe, Clean, Reliable Water Supply Bond Act of 1996	\$18,649,805.97
8.f.	0560013	REV/Renewal	California Housing Finance Agency CalHFA Revenue Bond Program Loan Warehousing Program (Revolving)	\$300,000,000.00
8.g.	0560003	REV/Renewal	California State University SPWB Lease Revenue Bonds San Francisco Campus – Joint Library: J. Paul Leonard Library and Sutro Library	\$5,603,000.00

APPROVAL OF AB 55 loans (Continued)

Agenda Item	Loan Number	Type	Department/Program	Adjusted Loan Amount
8.h.	0560007	REV/Renewal	Department of Justice SPWB Lease Revenue Bonds Redding Replacement Laboratory	\$6,753,215.00
8.i.	0560004	REV/Renewal	Department of Forestry & Fire Protection SPWB Lease Revenue Bonds Buckhorn Forest Fire Station: Replace Apparatus Building	\$1,623,429.00
8.j.	0560006	REV/Renewal	Department of Forestry & Fire Protection SPWB Lease Revenue Bonds Twain Harte Forest Fire Station: Relocate Facility	\$304,539.00
8.k.	0560005	REV/Renewal	Department of Forestry & Fire Protection SPWB Lease Revenue Bonds Sweetwater Forest Fire Station: Relocate Facility	\$396,691.00
8.l.	0560001	REV/Renewal	University of California SPWB Lease Revenue Bonds Irvine Campus – Natural Sciences Unit 2	\$47,862,500.00
8.m.	0560002	REV/Renewal	University of California SPWB Lease Revenue Bonds Riverside Campus – Genomics Building	\$7,043,000.00

Mr. Mercer said that all loans were recommended for approval as presented and that the impact on the Pool would be to increase loan balances by \$251,039,914.18.

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

PUBLIC COMMENT

None.

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

Respectfully submitted

Mark Paul
Executive Secretary