

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

**MINUTES**

Wednesday, December 20, 2006

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 Michael C. Genest

Staff Present: Laurie Weir, Executive Secretary, PMIB  
Bill Dowell, State Treasurer's Office  
Kathleen Chovan, Attorney General's Office  
Mark Paxson, State Treasurer's Office

**APPROVAL OF MINUTES**

The Minutes for the meetings of November 15, 2006, and November 28, 2006, were approved as submitted, 3-0.

**APPROVAL OF PMIB DESIGNATION NO. 1690**

Mr. Bill Dowell of the State Treasurer's Office presented the portfolio Summary Report as of November 30, 2006. On that day, the portfolio stood at \$55.503 billion. The effective yield was 5.137%, the quarter-to-date yield was 5.111% and the year-to-date yield was 5.004%. The average life of the portfolio was 185 days and AB 55 Loans approved stood at \$7.809 billion with \$3.481 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$15.055 billion with 2,614 participants.

Mr. Andre Rivera of the Cash Management Division of the State Treasurer's Office presented a summary of the Forecast of Changes in Portfolio for the Pooled Money Investment Account for the period December 18, 2006, through February 23, 2007. He stated that over the ten-week period of the forecast there would be an increase in the portfolio of \$8.442 billion due to anticipated receipts exceeding disbursements. Mr. Rivera continued by highlighting several key receipts. He noted that Sales, Liquor, and Utility Surcharge were expected to total \$9.710 billion and that the Motor Vehicle Fuel Taxes were expected to total \$457 million. Personal Income and Bank & Corporation Taxes were expected to total \$14.874 billion. Proceeds from the Sale of State Bonds were estimated at \$800 million. For this ten-week period, \$46.181 billion was anticipated in receipts.

Mr. John Korach of the State Controller's Office presented the Estimated Pooled Money Disbursements for the forecast period and highlighted several of the major disbursements. For

Public Schools and Community Colleges during the week of December 25, \$2.354 billion was anticipated as a school apportionment with another \$2.518 billion to be disbursed the week of January 29, 2007. Social Services had \$749 million disbursed the week of December 25 and another \$747 million scheduled to be disbursed the week of January 29, 2007. Local Sales Tax Apportionment had three disbursements scheduled for the period: First was the week of December 18 for \$1.189 billion and the second was scheduled for the week of January 15 for \$696.3 million. The third disbursement was scheduled for the week of February 19 in the amount of \$928 million. The Payroll Revolving Fund had two disbursements scheduled for January: One for January 1, 2007 in the amount of \$1.380 billion and a second disbursement for January 29 scheduled to be \$1.360 billion. Mr. Korach said major disbursements for the 10-week period were expected to total \$36.939 billion.

Designation No. 1690 was approved, 3-0.

#### **APPROVAL OF SURPLUS MONEY DECLARATION/REDUCTION**

Mr. Dowell presented the changes in the Surplus Money Investment Fund for the period November 1, 2006, through November 30, 2006. During that month \$8,537,042,000.00 was declared surplus in various special funds, while \$8,926,252,000.00 was declared to be a reduction in surplus.

The Surplus Money Declaration/Reduction for the month of November, 2006 was approved, 3-0.

#### **APPROVAL OF SURPLUS MONEY INVESTMENT FUND REQUESTS**

Mr. Dowell indicated there were no requests for the month.

#### **APPROVAL OF COMMERCIAL PAPER ISSUERS**

On behalf of the Investment Division of the State Treasurer's Office, Ms. Cathy DiSalvo presented two new commercial paper issuers for consideration by the Board. They were Old Line Funding LLC and Thunder Bay Funding LLC.

Ms. DiSalvo presented Old Line Funding LLC asset-backed program first and said it was established in 1994 and is rated P-1 by Moody's Investors Services, A-1+ by Standard and Poor's and F-1+ by Fitch Ratings. Old Line is a special-purpose, Delaware Limited Liability Company that is sponsored and administered by Royal Bank of Canada. Old Line is authorized to issue \$18.0 billion of asset-backed commercial paper and currently has approximately \$9.3 billion outstanding.

Ms. DiSalvo then presented Thunder Bay Funding LLC asset-backed commercial paper program, explaining that it was established in 1997 and that it is rated P-1 by Moody's Investors Services, A-1 by Standard and Poor's and F-1 by Fitch Ratings. Thunder Bay Funding LLC is a special-purpose, Delaware Limited Liability Company that is sponsored and administered by

Royal Bank of Canada. Thunder Bay Funding LLC is authorized to issue \$12.0 billion of asset-backed commercial paper and currently has approximately \$4.9 billion outstanding.

Ms. DiSalvo said that approval of these two programs would enable the Investment Division to work with two additional highly rated commercial paper issuers that would help to maintain diversity at competitive yields for the PMIA.

The Board approved both Issuers, 3-0.

#### **ARRANGEMENTS WITH BANKS (INFORMATIONAL ITEM)**

Mr. Doug Spittler, Director of the Cash Management Division of the State Treasurer's Office presented this item. He stated the State Treasurer's Office recently met with the demand account depository banks. For 2006-07, the Treasurer approved the same service charges and methodology that were in effect for the previous year and the same float factor for uncollected funds. Mr. Spittler reviewed a schedule that summarized the 2005-06 charges at each bank. The schedule outlined the cost of the estimated workload at each bank, the actual workload at each bank, and differences between the two. Mr. Spittler noted that, consistent with existing Board policy, the differences would be applied to balances in 2006-07. He also noted that for operational reasons, California Bank & Trust was no longer a depository bank, effective October 31, 2006.

Ms. Cindy Aronberg asked if approval of the banks was needed on an annual basis. Mr. Spittler indicated that this was being presented to the PMIB as an informational item because of the Board's responsibility for designating balances with the depository banks and that no approval was needed. Ms. Anne Sheehan inquired about opening up the process to see what other institutions might be interested in bidding on the State's business. Mr. Spittler explained that seven banks has been a practical working number for the Cash Management Division Staff and that three other institutions had indicated a desire to become depository banks over the past year. Mr. Spittler said that evaluating new banks is an ongoing process and that it is important to determine if there is a benefit to the State before adding a new bank. He said that one of the potential institutions that has expressed an interest in becoming an approved depository bank has close to 400 branches throughout the state and that this fact is an attractive feature because it allows better coverage for the client agencies.

Ms. Sheehan remarked out how important it is to continually assess how the State can get the best deal for the money and there be no complacency in terms of making sure we full value for the banking services. She asked Mr. Spittler about the rate schedule and he responded that staff research shows the State's approved rates are generally well below the published commercial rate schedules for all of the banks.

Ms. Aronberg asked if Mr. Spittler could confirm that it is 100 percent the Treasurer's decision as to which banks are selected as depository banks. Mr. Spittler responded affirmatively that yes, it is the Treasurer's decision based on the Government Code. However, he went on to say

that the Treasurer and (his predecessors) take input from Board members seriously and if anyone had an issue or concern relating to the selection of a bank, that concern would be carefully evaluated. Finally, Mr. Spittler reiterated that the PMIB does make authorization of designations at each meeting that establishes the amount of money to be placed in the depository banks.

**APPROVAL OF AB 55 LOANS**

Mr. Jon Welch of the Public Finance Division of the State Treasurer’s Office presented eight loan requests as shown in the following table. He noted that the first three loans (Items a. – c.) were for general obligation programs, while the remaining five (Items d. – h.) were for lease revenue programs.

| Agenda Item | Loan Number | Type        | Department/Program                                                                                                                        | Adjusted Loan Amount |
|-------------|-------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 8.a.        | 0670088     | GO/Renewal  | Department of Veterans Affairs<br>Veterans’ Homes Bond Act of 2000                                                                        | \$14,500,000.00      |
| 8.b.        | 0670089     | GO/Renewal  | Department of Fish & Game<br>Safe Drinking Water, Clean Water,<br>Watershed Protection and Flood<br>Protection Bond Act of 2000           | \$14,132,576.00      |
| 8.c.        | 0670090     | GO/Renewal  | California Community Colleges<br>Class Size Reduction Kindergarten-<br>University Public Education Facilities<br>Bond Act of 1998 (Hi-Ed) | \$45,840,000.00      |
| 8.d.        | 0670091     | REV/Renewal | Office of Emergency Services<br>SPWB Lease Revenue Bonds<br>Los Angeles Regional Crime Laboratory                                         | \$92,000,000.00      |
| 8.e.        | 0670092     | REV/Renewal | Department of General Services<br>SPWB Lease Revenue Bonds<br>Central Plant Renovation                                                    | \$30,425,000.00      |
| 8.f.        | 0670093     | REV/Renewal | Department of Forestry and Fire<br>Protection<br>SPWB Lease Revenue Bonds<br>Cuyamaca Forest Fire Station                                 | \$2,052,575.00       |
| 8.g.        | 0670094     | REV/Renewal | California Conservation Corps<br>SPWB Lease Revenue Bond Program<br>Tahoe Base Center Relocation                                          | \$8,949,500.00       |
| 8.h.        | 0670095     | REV/New     | University of California<br>SPWB Lease Revenue Bond Program<br>UCSF Medical Center SB1953<br>Moffitt/Long 2008 Phase I & II               | \$21,240,000.00      |

Mr. Welch said all loans were recommended for approval as presented and the impact on the Pool would be an increase of the loan portfolio by \$70,212,844.00.

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

**PUBLIC COMMENT**

None.

In the absence of further business, the meeting was adjourned at 10:21 a.m.

Respectfully submitted

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Laurie Weir  
Executive Secretary