

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

MINUTES

Wednesday, December 19, 2007

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

Roll: Francisco Lujano for State Treasurer Bill Lockyer
Richard Chivaro for State Controller John Chiang
Anne Sheehan for Director of Finance Michael C. Genest

Staff Present: Bill Dowell, State Treasurer's Office
Catherine Brown, Attorney General's Office
Mark Paxson, State Treasurer's Office

MINUTES

The Minutes for the November 13 and November 21, 2007, meetings were approved as submitted, 3-0.

PMIB DESIGNATION

Mr. Bill Dowell of the State Treasurer's Office presented the portfolio Summary Report as of November 30, 2007. On that day, the portfolio stood at \$61.202 billion. The effective yield was 4.888%, the quarter-to-date yield was 5.049% and the year-to-date yield was 5.167%. The average life of the portfolio was 208 days and AB 55 Loans approved stood at \$8.427 billion, with \$2.918 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$20.179 billion with 2,620 participants.

Ms. Anne Sheehan asked, in light of what occurred to the Florida local investment pool, have we received questions about our investment holdings? Specifically, has the media inquired about our program?

Mr. Dowell responded that, yes there have been a number of inquiries from the business press as well as the general media relating to the Pool's exposure to sub-prime loans. There was an extensive article published in the current issue of Bloomberg Markets and the author, David Evans, actually spent a full day with the Treasurer's Office staff, attending the LAIF Conference. The Investment Staff answered all of his questions and explained that our due diligence actually began long ago, as we first explored Asset Backed Commercial Paper (ABCP) as an eligible investment for the PMIA. The PMIA does not presently (and has never) hold any Structured Investment Vehicles (SIVs), "SIV-lites" or Collateralized Debt Obligations (CDOs). Mr. Dowell pointed out that a statement to this effect has been added to the Treasurer's web site. He said the limited exposure to ABCP has been diminishing as securities mature and the last of the multi-seller pieces of ABCP would mature in January, 2008.

Mr. Dowell went on to mention that a number of the local agency participants have contacted the Investment Division inquiring about exposure to sub-prime loans. He explained those inquiries are being fielded one-by-one, responding to specific questions. Pointing out that there was actually an increase in the LAIF participation from last month, Mr. Dowell concluded by saying (at least to this point) there has not been a run on the California program, as occurred in Florida.

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 17, 2007, through February 22, 2008. He stated that over the ten-week period of the forecast there would be an increase in the portfolio of \$6.500 billion. Mr. Rivera continued by highlighting several of the key receipts. He noted that Sales, Liquor, and Utility Surcharge were expected to total \$9.800 billion. Personal Income and Bank & Corporation Taxes were expected to total \$16.300 billion. Proceeds from the Sale of State Bonds were estimated at \$200 million. For this ten-week period, \$46.200 billion are anticipated in receipts.

Ms. Sue Griffith of the State Controller's Office presented the Estimated Pooled Money Disbursements for the forecast period and highlighted several of the major disbursements. She began by saying that disbursements for the 10-week period were estimated to total \$39.083 billion. Ms. Griffith went on to highlight the following disbursements: Public Schools and Community Colleges were expected to total \$7.365 billion. She went on to detail specific Social Services payments and said there will be a total of \$3.122 billion for the period. Mr. Griffith said Health Care services included total payments of \$5.339 billion. She noted there will be master payroll payments the weeks of December 31 – \$1,483 billion and January 28 – \$1.189 billion; with a total payroll of \$3.346 billion for the forecast period.

Finally, she said the quarterly employer share of retirement for CalPERS would be \$697 million and for CalSTRS it would be \$124 million. Again, the total major disbursements for the ten-week period would be \$39.083 billion.

Designation No. 1702 was approved, 3-0.

DECLARATION OF SURPLUS MONEY/REDUCTION OF SURPLUS MONEY

Mr. Dowell presented the changes in the Surplus Money Investment Fund for the period November 1, 2007 through November 30, 2007. During that month, \$10.037 billion was declared surplus in various special funds, while \$9.629 billion was declared to be a reduction in surplus.

The Surplus Money Declaration/Reduction for the month of November, 2007 was approved, 3-0.

SURPLUS MONEY INVESTMENT FUND REQUESTS

Mr. Dowell presented the following request to join the Surplus Money Investment Fund:

California Energy Commission
 Alternative and Renewable Fuel and Vehicle Technology
 Fund Number 3117

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

AB 55 LOAN APPLICATIONS (Government Code § 16312)

Mr. Jon Welch of the Public Finance Division of the State Treasurer’s Office presented seven loan requests as shown in the following table. He noted that the first five loans (Items a. – e.) were for general obligation programs while the remaining two loans (Items f. – g.) were for lease revenue programs.

| Agenda Item | Loan Number | Department/Program | Adjusted Loan Amount |
|--------------------|--------------------|--|---|
| a. | 0780092 | California State University Kindergarten – University Public Education Facilities Bond Act of 2006 (Hi-Ed) | \$272,469,000.00 |
| b. | 0780093 | University of California Kindergarten – University Public Education Facilities Bond Act of 2006 (Hi-Ed) | 374,008,239.00 347,008,239.00 |
| c. | 0780094 | State Allocation Board Office of Public School Construction Kindergarten – University Public Education Facilities Bond Act of 2006 (K-12) | 513,574,000.00 |
| d. | 0780095 | State Allocation Board Office of Public School Construction 1992 School Facilities Bond Act (November) | 1,809,052.71 |
| e. | 0780096 | Department of Veterans Affairs Veterans’ Homes Bond Act of 2000 | 13,108,017.23 |
| f. | 0780097 | Department of General Services SPWB Lease Revenue Bonds Board of Equalization Building Acquisition | 84,795,384.00 |

| | | | |
|----|---------|--|---------------|
| g. | 0780098 | University of California SPWB Lease Revenue Bonds UCDMC – Surgery & Emergency Services Pavilion | 89,518,540.00 |
|----|---------|--|---------------|

Mr. Welch said all loans were recommended for approval as presented and the impact on the Pool would be to increase the loan portfolio by ~~\$324,317,962.24~~ \$297,317,962.24.

(Note: Loan b was incorrectly presented as \$374,008,239.00 and, when corrected as shown above, the impact on the loan portfolio was adjusted accordingly.)

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

PUBLIC COMMENT

Mr. Francisco Lujano took a moment to recognize Donna Young, who has worked with the PMIB since 1998 and will be retiring at the end of the month. On behalf of the board, Mr. Lujano thanked Donna for her dedication, professionalism and years of service.

ADJOURNMENT

In the absence of further business, the meeting was adjourned at 10:16 a.m.

Respectfully submitted,

Bettina Redway
Executive Secretary