

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

MINUTES

Wednesday, November 19, 2008

The meeting was called to order at 10:01 a.m.

Roll: Francisco Lujano for State Treasurer Bill Lockyer
Rick Chivaro for State Controller John Chiang
Tom Sheehy for Director of Finance Michael C. Genest

Staff Present: Bill Dowell, State Treasurer's Office
Mark Paxson, State Treasurer's Office
Kathleen Chovan, Attorney General's Office

MINUTES

The Minutes for the October 15, 2008, meeting were approved as submitted, 3-0.

PMIB DESIGNATION

Mr. Bill Dowell of the State Treasurer's Office presented the portfolio Summary Report as of October 31, 2008. On that day, the portfolio stood at \$63.652 billion. The effective yield was 2.650%, the quarter-to-date yield was 2.709% and the year-to-date yield was 2.763%. The average life of the portfolio was 241 days and AB 55 Loans approved stood at \$11.845 billion, with \$4.421 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$21.263 billion, with 2,715 participants.

Designation No. 1713 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 October 1, 2008, through October 31, 2008. During that month, \$9.258 billion was declared Surplus in various special funds, while \$10.888 billion was declared to be a Reduction in Surplus.

The Surplus Money Declaration/Reduction for the month of October, 2008, was approved, 3-0.

SURPLUS MONEY INVESTMENT FUND REQUESTS

Mr. Dowell presented two requests from the Department of Public Health to participate in the Surplus Money Investment Fund:

Water Device Certification
Special Account
Fund Number 0129

Drinking Water Operator Certification
Special Account
Fund Number 0247

The Board accepted the staff recommendations of the State Controller's Office and the State Treasurer's Office and approved the requests, 3-0.

INVESTMENT POLICY (Informational Item)

Mr. Dowell noted the PMIA Investment Policy is presented to the Board on an annual basis. He said there are no changes in the policy this year and while it has been a remarkable year in the capital markets, it is a testimony to how durable the Investment Policy has proven to be. The Treasurer is able to manage the portfolio successfully, effectively operating the program with an eye towards safety and liquidity, in addition to yield.

PROPOSED PMIB MEETING DATES FOR 2009

The Proposed PMIB Meeting dates for 2009 were approved as submitted, 3-0. The scheduled meeting dates will be posted on the STO web site.

AB 55 LOAN APPLICATIONS (Government Code §16312)

As Mr. Francisco Lujano introduced the item, he noted the Governor had called a special session of the Legislature to deal with budget issues and the STO staff had recently informed him there are an unusually large number of AB 55 loan requests in the pipeline. He explained he had prepared some remarks and direction to staff that he would like to read into the record:

“In the event the Legislature and Governor do not enact budgetary and cash solutions in the special session that will improve the State's cash situation and enable the Treasurer's Office to resume issuing General Obligation bonds, the Chair is directing staff to provide a recommendation as soon as possible prior to the December 17, 2008, PMIB Meeting, regarding approval of future AB 55 loans. The recommendation should be based upon an analysis of projected cash needs versus available cash resources. At this point, it appears likely such a recommendation may include the identification of a point in time when the PMIB should stop approving any loan increases or new loans until the State's budget situation has improved.”

Mr. Tom Sheehy indicated he would like to better understand the relationship between the AB 55 loans and what, if any, impact their approval has on internal borrowable resources. Ms. Kathleen Chovan, of the Department of Justice, cautioned the board that because the item was not noticed on the agenda, they should not go into a detailed discussion. Ms. Bettina Redway clarified that

board members could raise questions and listen to responses. However, there should not be conversations between voting members regarding the pros and cons of specific ideas.

Mr. Sheehy responded that he would like the staff to explain the relationship between the board approving AB 55 loans, cash going out and the impact on internal borrowable resources. If there is a significant impact on that amount, Mr. Sheehy explained, he was prepared to vote “no” on the pending AB 55 loan requests.

Mr. Dowell said there was a representative from the Controller’s Office and the Director of the STO’s Public Finance Division. He suggested they be allowed to respond to Mr. Sheehy.

Ms. Katie Carroll, Director of the Public Finance Division, said that Mr. Sheehy’s question would be the subject of the upcoming staff report. She noted this relationship is something that her staff is exploring internally and also with the State Controller’s staff. Ms. Carroll pointed out that working with the STO’s Cash Management and Investment staffs, we know there are limits to the funds available and there are inter-relationships between the cash positions of the General Fund and when shortages in available cash in the pool occur. We feel that it is necessary to completely analyze that event and at some point recommend whether further approval of AB 55 loans by the board is going to negatively impact State resources.

Mr. Sheehy wanted to know if there is a portion of the pool that is not borrowable for General Fund day-to-day cash management needs. Ms. Carroll said there is, but she did know the exact amount. Mr. Mike Havey, of the Controller’s Office, said he did not have that data with him.

Mr. Rick Chivaro reiterated the importance of the issue and suggested it would be appropriate to let staff have an opportunity to analyze the numbers and have a more in-depth discussion at a future meeting.

Mr. Sheehy told the board of his general concern that we are in uncharted waters with the economy, the state’s cash situation and the current state budget issues, etc. He wanted an opportunity to discuss this issue with his colleagues within the Department of Finance. Mr. Sheehy summarized his point by asking, “What impact do AB 55 loans have on the state’s borrowable resources?”

Mr. Sheehy concluded by making a motion that the AB55 loan requests in Item 8 be carried over to the next meeting. He also remarked, “For all of you in the audience, this is my recommendation without prejudice to any one of these projects and has nothing to do with the benefits of these projects. I know they’re all very important projects, but we’re in a crisis situation with our cash and budget situation. I think it is best that we have more information before the board votes on these loan requests.” Mr. Chivaro seconded the motion.

The motion to hold Item 8 (and all of the pending AB55 loan requests) over to another meeting, after a thorough analysis has been prepared by staff, was approved, 3-0.

PUBLIC COMMENT

None.

ADJOURNMENT

In the absence of further business, the meeting was adjourned at 10:25 a.m.

Respectfully submitted,

Bettina Redway
Executive Secretary