

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

**MINUTES**

Wednesday, February 18, 2009

The meeting was called to order at 10:16 AM, in the Secretary of State's Auditorium.

Roll:                   State Treasurer Bill Lockyer  
                          Director of Finance Michael C. Genest  
                          Richard Chivaro, for State Controller John Chiang

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

**MINUTES**

The Minutes for the January 16, 2009, 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 January 31, 2009. On that day, the portfolio stood at \$61.461 billion. The effective yield was 1.950%, the quarter-to-date yield was 2.046% and the year-to-date yield was 2.580%. The average life of the portfolio was 215 days and AB 55 Loans approved stood at \$11.853 billion, with \$5.704 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$24.763 billion, with 2,718 participants.

Mr. Andre Rivera of the State Treasurer's Office Cash Management Division presented a summary of the Forecast of Changes in Portfolio for the Pooled Money Investment Account for the period February 16, 2009, through April 17, 2009. Mr. Rivera continued by highlighting several of the key receipts, as presented in Attachment A. A total of \$45.588 billion are anticipated in receipts for the period.

Mr. Michael Havey of the State Controller's Office presented the Estimated Pooled Money Disbursements for the forecast period and highlighted several of the major disbursements, also shown in Attachment A. He noted that disbursements for the period were estimated to total \$40.725 billion.

Designation No. 1716 was approved, 3-0.

## **AUTHORIZATION FOR GENERAL FUND INTERNAL BORROWING**

Mr. Dowell presented the authorization which enables the General Fund to borrow from internal sources to meet its cash needs during periods of shortfall. Mr. Dowell reminded the Board that a one-month Authorization for Internal Borrowing was adopted at last month's meeting. The amount estimated to be available from the various internal funds is up to \$16.605 billion. There are pending trailer bills that potentially increase the amount available for internal borrowing up to \$18.605 billion.

Mr. Genest moved that the Board adopt the Authorization, making it for one month. He noted the need for an enacted budget, pointing out that cash flows will change and it will important that current documents reflect that fact. The Treasurer directed staff to prepare the Authorization on a monthly basis, at least for the immediate future.

The Authorization for General Fund Internal Borrowing for the period March 1, 2009, through March 31, 2009, in the amount of up to \$18.605 billion 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 January 1, 2008, through January 31, 2009. During that month, \$6.994 billion was declared Surplus in various special funds, while \$7.771 billion was declared to be a Reduction in Surplus.

The Surplus Money Declaration/Reduction for the month of January, 2009, was approved, 3-0.

## **SURPLUS MONEY INVESTMENT FUND REQUESTS**

Mr. Dowell presented two requests to participate in the Surplus Money Investment Fund from the Public Utilities Commission:

Special Deposit Fund  
AT&T California/SBC Communications  
Emergency Telephone Access  
Fund Number 0942225

California Advanced Series Fund  
Fund Number 3141

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

**DISCUSSION AND CONSIDERATION REGARDING THE IMPACT OF AB 55  
LOANS ON OUTSTANDING, RENEWED, OR NEW LOANS**

Mr. Blake Fowler of the State Treasurer’s Office Public Finance Division said at the last meeting the Board approved a partial exemption in the freeze of AB 55 loan financing originally imposed at by authorizing \$650 million of disbursements through June 30, 2009. The Board authorized the Department of Finance to allocate the \$650 million based upon its determination of which disbursements have the highest priority and best serve the state's interests. He introduced Karen Finn and Chris Lee from Department of Finance to provide an update on how the \$650 million was allocated and how much has been spent to date. Attachment B presents the staff report.

Ms. Finn and Mr. Lee reviewed the report in detail, explaining how the \$650 million was allocated. Mr. Genest pointed out that 276 projects, in the absence of a budget, will be shut down or begin the shut down process starting tomorrow. He mentioned the substantial costs associated with shutting down and restarting many projects.

Mr. Fowler summarized for the Board the following staff recommendations:

**Disbursement Freeze.** Staff recommends that the Board continue the freeze on AB 55 loan disbursements for all loans except for the remaining amount of the \$650 million that was authorized at the January 16, 2009 Board meeting. These funds should continue to be disbursed in accordance with DOF’s January 23, 2009 Budget Letter.

**Loan Renewals.** Staff recommends that the Board approve the AB 55 loan renewals on the Agenda (Items A through i) in the amounts shown on Attachment B.

**New Loans.** Staff recommends that the Board postpone consideration of the three new loan requests on the agenda (Agenda Items j, k, and l).

**Special Meeting.** Staff recommends that a special meeting be convened as soon as possible following the enactment of a budget solution.

Mr. Lockyer invited public comment and the following people came forward to speak:

Tom Duffy  
California Association for  
Adequate School Housing

Ken Cross  
Sacramento Habitat  
for Humanity

Mathew Packard  
Father Joe’s Villages

Marcus Griffin  
Roem Corporation

Dan Hardy  
Cabrillo Economic  
Development Corporation

Linda Mandolini  
Eden Housing, Inc.

Neil Saxby  
Affordable Housing Associates

Carol Galante  
BRIDGE Housing

Nevada Merriman  
Mid-Peninsula Housing Corporation

Wally Dieckman  
Chelsea Investment

Holly Phillips  
Adobe Communities

Jeff Riley  
Mercy Housing, California

Conor Weir  
LINC Housing Corporation

Elissa Dennis,  
Community Economics

Julie Snyder  
Housing California

Jon P. Derryberry  
Townpeople Affordable  
Housing Development

Rob Wiener  
California Coalition for  
Rural Housing

Sharon Report  
Corporation for  
Supportive Housing

John Lowery  
Burbank Housing

Steven Armanino  
Jamboree Housing Corporation

Anna Scott  
Affirmed Housing Group

Dan Lopez  
California Housing  
Consortium

John McCall  
Sonoma County Ag Preservation  
And Open Space District

Josh Ishimatsu  
Little Tokyo Service Center

Major Preston Rider  
Salvation Army

Stephen Foster  
Chawanakee Unified School District

**AB 55 LOAN APPLICATIONS (Government Code §16312)**

<b>Agenda Item</b>	<b>Loan Number</b>	<b>Department/Program</b>	<b>Adjusted Loan Amount</b>
a.	0890100	California Health Facilities Financing Authority Children's Hospital Bond Act of 2004	\$106,887,164.95
b.	0890101	Department of Transportation Seismic Retrofit Bond Act of 1996	\$55,936,674.17
c.	0890102	Department of Fish and Game Safe Drinking Water, Watershed Protection, and Flood Protection Act	\$19,888,924.75
d.	0890103	State Allocation Board Office of Public School Construction School Facilities Bond Act of 1992 (June)	\$200,000.00
e.	0890104	Resources Agency Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	\$287,811,803.00
f.	0890105	California Transportation Commission Clean Air and Transportation Improvement Act of 1990	\$24,663,553.56
g.	0890106	Department of Veterans Affairs SPWB Lease Revenue Bonds Greater Los Angeles and Ventura Counties Veterans Homes (GLAVC)	\$101,541,843.00
h.	0890107	Department of Veterans Affairs SPWB Lease Revenue Bonds Yountville Veterans Home – Member Services Building: Renovate Facility	\$6,008,800.00
i.	0890108	Department of Mental Health SPWB Lease Revenue Bonds Metropolitan State Hospital: Construct New Main Kitchen	\$19,951,245.00

The impact on the pool was to increase the loan portfolio by \$38,000,918.30.

After additional discussion, the Board accepted the staff recommendations and all renewal loan requests were approved, 3-0.

## **CONSIDERATION OF CONSENT TO AMENDMENTS OF GO BOND FINANCE COMMITTEE RESOLUTIONS**

Mr. Fowler explained that as a means to alleviate the adverse consequences of the freeze on disbursements from AB 55 loans, there is a proposal to purchase general obligation (GO) bonds on a private placement basis. One of the required conditions of potential purchasers is the proceeds from the sale of the bonds must directly finance certain projects authorized by related bond acts. The funds received from the sale of these bonds would be placed in accounts to directly fund projects instead of paying down outstanding AB 55 loans from the PMIA. He summarized the proposed resolution that is presented in Attachment C, saying the staff is recommending approval.

Mr. Genest asked if the Board had the legal ability to have money come into the PMIA and not use it to repay loans. Mr. Fowler said the funds from these bond sales would not come into the PMIA. They would be placed in separate accounts and used to directly finance expenditures for the projects. Mr. Lockyer pointed out this mechanism represents an alternative method that other entities may also consider working with the Treasurer's Office to utilize, including: foundations, toll authorities, school districts and others. Mr. Genest inquired if the PMIB had a legal opinion saying there is no barrier to doing this. Mr. Fowler responded that his staff has discussed these issues with the state's bond counsel and the Attorney General's Office, and they have not raised any legal objections.

A motion was made to accept the staff recommendation and approve the proposed resolution. The motion was approved, 3-0.

## **CONSIDERATION OF INTEREST RATE FOR REGISTERED REIMBURSEMENT WARRANTS**

This Item was withdrawn.

## **PUBLIC COMMENT**

None.

## **ADJOURNMENT**

In the absence of further business, the meeting was adjourned at 11:45 AM.

Respectfully submitted,

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Bettina Redway  
Executive Secretary