

**POOLED MONEY INVESTMENT BOARD
FEBRUARY 18, 2009
Staff Report – Agenda Item 7**

BACKGROUND

At the January 16, 2009 meeting of the Pooled Money Investment Board (“Board”), the Board took the following actions relating to the AB 55 loan program:

- Approved a partial exemption in the freeze of AB 55 loan financing originally imposed at December 17, 2008 Board meeting by authorizing a total of \$650 million of disbursements through June 30, 2009. The Board authorized the Department of Finance (“DOF”) to allocate the \$650 million based on its determination of which disbursements have the highest priority and best serve the State’s interests.
- Requested DOF and the State Controller’s Office (“SCO”) to establish a mutually agreeable disbursement approval or certification process to ensure that only the disbursements authorized by DOF are made.
- Requested DOF to report back at the next meeting regarding how the \$650 million has been, or will be, distributed.
- Approved seven loan renewals for either the amount of the current loan authorization or for a reduced loan authorization (the reductions were at the department’s request).
- Approved one loan renewal with a small increase that was necessary to pay State administrative costs (primarily wages) incurred for bonds programs during the months of December 2008 and January 2009.
- Postponed consideration of new AB 55 loan requests from the California Air Resources Board, the California Housing Finance Agency and the California High Speed Rail Authority.

On January 23, 2009, DOF issued Budget Letter 09-02 to all agencies and departments that administer AB 55 loans (see Exhibit A). The Budget Letter stated that DOF had requested the SCO to only make AB 55 disbursements for the following expenses: administrative costs incurred for bond programs through June 30, 2009, up to a specified maximum amount for each agency and department; and unpaid bills under State contracts for work performed, up to a specified maximum amount for each agency and department.

The Budget Letter further described the procedures for departments to certify that their AB loan disbursements were in compliance with the Budget Letter, and also stated that the project suspensions (excluding those for which DOF has authorized an exemption) will remain in effect until such time they can be reevaluated in light of additional information in the future.

On February 17, 2009, DOF issued Budget Letter 09-05 instructing agencies and departments to begin an orderly shutdown of all previously exempted projects effective Thursday, February 19, 2009, except those that can continue with non-state funding sources (private, local, or federal funds).

AB 55 LOAN EXPENDITURES SINCE JANUARY 16, 2009

DOF reports that between January 17, 2009 and February 10, 2009, approximately \$243 million of the \$650 million has been disbursed. The \$243 million consists of approximately \$22 million for State administrative costs and \$221 million for unpaid bills under State contracts for work performed.

BUDGET, CASH AND BOND SALE UPDATE

The Legislature and Governor have not enacted any budget and cash solutions since the last Board meeting, and the State Treasurer's Office ("STO") has been unable to issue any General Obligation bonds or lease revenue bonds to repay the Pooled Money Investment Account for disbursed AB 55 loans.

Given current municipal bond market conditions, which have been showing some improvement since the beginning of January, the STO is exploring whether it would be possible for the State to issue GO bonds in a public sale, though how long these favorable market conditions will last is unknown. The STO continues to work with DOF, SCO, the Attorney General's Office and the State's disclosure counsel to attempt to develop complete and accurate disclosure that would allow the State to issue GO bonds in the absence of enacted budget and cash solutions. However, this is a very challenging task and it remains uncertain that the State will be able to develop such disclosure necessary to issue any GO bonds or lease revenue bonds in a public sale. The STO is also actively pursuing options for issuing GO bonds in a non-public sale.

AB 55 LOAN REQUESTS ON FEBRUARY 18, 2009 AGENDA

The February 18, 2009 Board agenda contains three requests for new AB 55 loans and nine AB 55 loan renewal requests. Exhibit B contains information on each of the loan requests, including the amount requested by the applicant, the amount of the original loan, the amount paid down by bonds or commercial paper, the recommended loan amount and its impact on the Pooled Money Investment Account. The recommended amounts are for either the amount of the existing loan, a decrease requested by the department, or an increased loan amount necessary for the department to pay the administrative costs or unpaid bills under State contracts for work performed that were authorized for payment by DOF's January 23, 2009 Budget Letter.

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, and that these funds 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 February 18, 2009 agenda in the amounts shown on column g of Exhibit B.

New Loans. Staff recommends that the Board postpone consideration of the three new loan requests on the agenda (Item 7.j for the California Resources Board in the amount of \$515,628,282, Item 7.k for the California High Speed Rail Authority in the amount of \$29,100,000 and Item 7.l for the California Housing Finance Agency in the amount of \$100,000,000) until a future Board meeting.

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

* * *

BUDGET LETTER

	NUMBER: 09-02
SUBJECT: INTERIM LOANS FOR GENERAL OBLIGATION AND LEASE REVENUE BOND PROJECTS—ALLOWABLE DISBURSEMENTS	DATE ISSUED: January 23, 2009
REFERENCES: BL 08-33	SUPERSEDES:

TO: Secretary of State
 State Controller
 State Treasurer
 Superintendent of Public Instruction
 Administrative Office of the Courts
 Agency Secretaries
 Office of the President, University of California
 Chancellor's Office, California State University
 Board of Governors, California Community Colleges

Department Directors
 All GO Bond Financing Committees
 California Institute for Regenerative Medicine
 Departmental Budget Officers
 Departmental Accounting Officers
 Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Budget Officers are requested to forward this Budget Letter (BL) to their Department Facilities, Construction, and Contract Managers.

On January 16, 2009, the Pooled Money Investment Board (PMIB) continued the freeze on PMIB AB 55 loan disbursements originally imposed at the December 17, 2008 PMIB meeting. However, the PMIB made available \$650 million in AB 55 loan disbursements and specified that the Department of Finance (Finance) should determine which disbursements have the highest priority and are in the state's best interests. Finance and the State Controller's Office (SCO) have established a mutually agreeable disbursement approval process to ensure that only the disbursements within the \$650 million authorized by the PMIB are made.

Because the \$650 million authorized by the PMIB is not sufficient to fund all outstanding obligations, Finance has requested the SCO to only make disbursements for the following expenses, within AB 55 loans approved by the PMIB (see Attachment I). These include:

- Administrative costs incurred for bond programs through June 30, 2009, up to a maximum amount as reported to Finance on Attachment I. Administrative costs include, but are not limited to, wages, benefits, and related operational expenses such as rent, utilities, and travel expenses.
- Unpaid bills under state contracts for work performed, up to a maximum amount as reported to Finance on Attachment I.

When submitting claims or plans of financial adjustment (PFAs) to the SCO that draw on funds from AB 55 loans, departments must attach a letter certifying that the amounts requested are for appropriate expenditures (i.e. administrative costs and unpaid bills as described above) and within the amount identified on Attachment I. The letter should specify the amount requested, the cumulative amount requested (if multiple claims/PFAs are or have been submitted), and a statement signed by an appropriate accounting officer that "*the cumulative disbursements are appropriate and within the amount authorized by the Department of Finance for [Department name], and PMIB Loan [Loan Number] pursuant to BL 09-02.*" For PFA transaction requests, departments/agencies need to identify amounts attributable to administrative costs and for state contract costs in the PFA transaction request description field. **The SCO will return all claims or PFAs that lack the required certification to departments/agencies.**

Note that some loans may not have sufficient unexpended balances for the entire amount of allowable disbursements. In these instances, departments/agencies, through the appropriate bond fund administrator, should request the PMIB to renew their loan at an increased level to accommodate the allowable disbursements before requesting these disbursements. In the meantime for these loans, departments are directed to work with the appropriate bond fund administrator to restrict disbursement requests to within their share of the existing loan.

AGENCY LIABILITY

Please be advised that any expenditure not in compliance with this BL could result in your department's or agency's general operating budget being charged for that expenditure.

PROJECT SUSPENSION AND FREEZES

Pursuant to BL 08-33 and the PMIB's December 17, 2008 actions, departments and agencies have suspended all projects funded from AB 55 loans, excluding those for which Finance has authorized an exemption or the contracting entity can continue with non-state funding sources (private, local, or federal funds). These suspensions will remain in effect until such time as they can be reevaluated in light of additional information regarding the condition of the Pooled Money Investment Account (PMIA) and future PMIB actions. Likewise, funding for exempted projects and the continuation of exemptions will be evaluated in light of additional information regarding the condition of the PMIA and future PMIB actions.

State entities are not permitted to substitute cash in special funds for previously approved AB 55 loans. Utilizing cash in other state special funds that are in the PMIA would not comply with BL 08-33 and the PMIB's actions.

Please contact your Finance budget analyst if you have questions.

/s/ Karen Finn

Karen Finn
Program Budget Manager

Attachment

Allowable Disbursements By PMIB Loan
(amounts in thousands)

PMIB Loan #	Org Code	Organization	Bond-funded Administrative Costs (Jan-Jun 2009)	Unpaid Bills for Work Already Performed-- State Contracts	Total
0890086	0250	Judicial		\$ 2,374	2,374
0780157	0540	Resources Agency Prop 12	\$ 77	\$ 51	128
0890004	0540	Resources Agency Prop 40	\$ 485		485
0890080	0540	Resources Agency Prop 50	\$ 1,317	\$ 1,940	3,257
0890018	0540	Resources Agency Prop 84	\$ 3,228		3,228
0780162	0690	Cal EMA	\$ 800		800
	0950	State Treasurer's Office	\$ 2,500		2,500
0780117	0977	CA Health Fin Authority	\$ 150		150
0780170	1760	DGS		\$ 4,436	4,436
0780171	1760	DGS		\$ 16,136	16,136
0890037	1760	DGS		\$ 1,140	\$ 1,140
0890053	1760	DGS		\$ 72,013	\$ 72,013
	1760	Office of Public School Construction	\$ 6,390		\$ 6,390
0890081	2240	Housing and Comm Devlpmt (Prop 46)	\$ 3,600		\$ 3,600
0890052	2660	CALTRANS	\$ 51,333	\$ 102,934	\$ 154,267
	2665	High Speed Rail	\$ -	\$ 4,157	\$ 4,157
0780157	3125	Tahoe Prop 12	\$ 114	\$ 41	\$ 155
0890004	3125	Tahoe Prop 40	\$ 449	\$ 698	\$ 1,147
0890080	3125	Tahoe Prop 50	\$ 97	\$ 4	\$ 101
0890018	3125	Tahoe Prop 84	\$ 739	\$ 1,339	\$ 2,078
0890018	3340	CCC Prop 84	\$ 240	\$ 68	\$ 308
0890087	3340	Conservation Corps LRB (DGS)		\$ 2,861	\$ 2,861
0890038	3340	Conservation Corps LRB (DGS)		\$ 2	\$ 2
0890097	3340	Conservation Corps LRB (DGS)		\$ 194	\$ 194
0890041	3480	DOC Prop 13	\$ 99		\$ 99
0890004	3480	DOC Prop 40	\$ 223		\$ 223
0890080	3480	DOC Prop 50	\$ 451	\$ 10	\$ 461
0890018	3480	DOC Prop 84	\$ 175	\$ -	\$ 175
0890008	3540	Cal Fire LRB (DGS)		\$ 11	\$ 11
0890006	3540	Cal Fire LRB (DGS)		\$ 25	\$ 25
0780169	3540	Cal Fire LRB (DGS)		\$ 111	\$ 111
0890057	3540	Cal Fire LRB (DGS)		\$ 30	\$ 30
0890025	3540	Cal Fire LRB (DGS)		\$ 21	\$ 21
0890010	3540	Cal Fire LRB (DGS)		\$ 65	\$ 65
0780153	3540	Cal Fire LRB (DGS)		\$ 34	\$ 34
0780167	3540	Cal Fire LRB (DGS)		\$ 381	\$ 381
0780135	3540	Cal Fire LRB (DGS)		\$ 17	\$ 17
0780135	3540	Cal Fire LRB (DGS)		\$ 17	\$ 17
0780135	3540	Cal Fire LRB (DGS)		\$ 30	\$ 30
0780135	3540	Cal Fire LRB (DGS)		\$ 46	\$ 46
0780152	3540	Cal Fire LRB (DGS)		\$ 132	\$ 132
0780151	3540	Cal Fire LRB (DGS)		\$ 49	\$ 49
0780149	3540	Cal Fire LRB (DGS)		\$ 25	\$ 25
0780150	3540	Cal Fire LRB (DGS)		\$ 89	\$ 89
0890047	3540	Cal Fire LRB (DGS)		\$ 168	\$ 168

Allowable Disbursements By PMIB Loan
(amounts in thousands)

PMIB Loan #	Org Code	Organization	Bond-funded Administrative Costs (Jan-Jun 2009)	Unpaid Bills for Work Already Performed-- State Contracts	Total
0890005	3540	Cal Fire LRB (DGS)		\$ 411	\$ 411
0780165	3540	Cal Fire LRB (DGS)		\$ 211	\$ 211
0890009	3540	Cal Fire LRB (DGS)		\$ 317	\$ 317
0890062	3540	Cal Fire LRB (DGS)		\$ 48	\$ 48
0890063	3540	Cal Fire LRB (DGS)		\$ 10	\$ 10
0890059	3540	Cal Fire LRB (DGS)		\$ 85	\$ 85
0890061	3540	Cal Fire LRB (DGS)		\$ 12	\$ 12
0890060	3540	Cal Fire LRB (DGS)		\$ 22	\$ 22
0890058	3540	Cal Fire LRB (DGS)		\$ 4	\$ 4
0890004	3540	Cal Fire Prop 40	\$ 774		\$ 774
0890080	3540	Cal Fire Prop 50	\$ 166	\$ 35	\$ 201
0890018	3540	Cal Fire Prop 84	\$ 304		\$ 304
0780157	3600	DFG Prop 12	\$ 80	\$ 426	\$ 506
0780121	3600	DFG Prop 13	\$ 100	\$ 29	\$ 129
0890017	3600	DFG Prop 204		\$ 11	\$ 11
0890080	3600	DFG Prop 50	\$ 91	\$ 1,179	\$ 1,270
0890018	3600	DFG Prop 84	\$ 10,132	\$ 4,614	\$ 14,746
0780157	3640	WCB Prop 12	\$ 123	\$ 10	\$ 133
0890072	3640	WCB Prop 1E	\$ 242	\$ 90	\$ 332
0890004	3640	WCB Prop 40	\$ 397	\$ 34	\$ 431
0890080	3640	WCB Prop 50	\$ 361	\$ 29	\$ 390
0890018	3640	WCB Prop 84	\$ 456	\$ 29	\$ 485
0780157	3760	SCC Prop 12	\$ 1,041	\$ 12	\$ 1,053
0890004	3760	SCC Prop 40	\$ 900	\$ 120	\$ 1,020
0890080	3760	SCC Prop 50	\$ 400	\$ 230	\$ 630
0890018	3760	SCC Prop 84	\$ 146	\$ 443	\$ 589
0780157	3790	Parks Prop 12	\$ 2,073	\$ 1,618	\$ 3,691
0890004	3790	Parks Prop 40	\$ 2,010	\$ 318	\$ 2,328
0890080	3790	Parks Prop 50	\$ 109	\$ 16	\$ 125
0890018	3790	Parks Prop 84	\$ 6,618	\$ 1,039	\$ 7,657
0890004	3810	SMMC Prop 40	\$ 52		\$ 52
0890080	3810	SMMC Prop 50	\$ 50		\$ 50
0890018	3810	SMMC Prop 84	\$ 98		\$ 98
0890004	3825	RMC Prop 40	\$ 43	\$ 12	\$ 55
0890080	3825	RMC Prop 50	\$ 37	\$ 10	\$ 47
0890018	3825	RMC Prop 84	\$ 125	\$ 35	\$ 160
0890004	3835	BHC Prop 40	\$ 70		\$ 70
0890018	3835	BHC Prop 84	\$ 116		\$ 116
0890018	3850	CVMC Prop 84	\$ 30		\$ 30
0890018	3855	SNC Prop 84	\$ 209	\$ 32	\$ 241
0780158	3860	Water Resources Prop 13	\$ 3,457	\$ 199	\$ 3,656
0890072	3860	Water Resources Prop 1E	\$ 13,484	\$ 27,121	\$ 40,605
0780142	3860	Water Resources Prop 204	\$ 123		\$ 123
0890080	3860	Water Resources Prop 50	\$ 6,223	\$ 3,159	\$ 9,382
0890018	3860	Water Resources Prop 84	\$ 12,442	\$ 11,103	\$ 23,545
	3900	Air Board	\$ 2,000	\$ 490	\$ 2,490
0890091	3940	Water Board	\$ 1,508	\$ 479	\$ 1,987
0780161	3940	Water Board	\$ 400	\$ 5	\$ 405
0890004	3940	Water Board	\$ 394	\$ -	\$ 394
0890080	3940	Water Board	\$ 2,234	\$ 461	\$ 2,695

Allowable Disbursements By PMIB Loan
(amounts in thousands)

PMIB Loan #	Org Code	Organization	Bond-funded Administrative Costs (Jan-Jun 2009)	Unpaid Bills for Work Already Performed-- State Contracts	Total
0890018	3940	Water Board	\$ 2,220	\$ 484	\$ 2,704
0890018	4265	Public Health	\$ 1,333		\$ 1,333
0890080	4265	Public Health	\$ 1,642		\$ 1,642
0890036	4300	DDS - port 96-bed		\$ 11,566	\$ 11,566
0890035	4300	DDS - port kit		\$ 136	\$ 136
0890039	4440	DMH - atascadero		\$ 1,048	\$ 1,048
0780147	4440	DMH - metro kit		\$ 5,791	\$ 5,791
0890012	4440	DMH - napa kit		\$ 175	\$ 175
0890011	4440	DMH - patton kit		\$ 31	\$ 31
0780148	4440	DMH -EB		\$ 1	\$ 1
0780163	5225	CDCR-CCC WWTP		\$ 8,198	\$ 8,198
0890033	5225	CDCR-CCI WWTP		\$ 5,447	\$ 5,447
0890067	5225	CDCR-CRC Dorms		\$ 12	\$ 12
0890014	5225	CDCR-CVSP 64 bed		\$ 3,037	\$ 3,037
0890034	5225	CDCR-CVSP HVAC		\$ 3,053	\$ 3,053
0890044	5225	CDCR-DVI WWTP		\$ 5,166	\$ 5,166
0780129	5225	CDCR-PVSP Bar Screen (GO)		\$ 153	\$ 153
0780164	5225	CDCR-SQ CIC		\$ 700	\$ 700
0780140	5225	CDCR-Wasco Prescreen (GO)		\$ 128	\$ 128
0890045	5225	Office of the Receiver		\$ 11,950	\$ 11,950
0890013	6110	CDE		\$ 8,794	\$ 8,794
0890030	6110	CDE		\$ 235	\$ 235
0890031	6110	CDE		\$ 297	\$ 297
0890032	6110	CDE		\$ 61	\$ 61
0890054	6110	CDE		\$ 1,979	\$ 1,979
0890046	6110	CDE		\$ 144	\$ 144
0890004	6120	State Library	\$ 645	\$ 110	\$ 755
0780154	6440	UC		\$ 6,118	\$ 6,118
0890073	6440	UC		\$ 18,918	\$ 18,918
0890055	6440	UC		\$ 2,263	\$ 2,263
0890076	6440	UC		\$ 4,398	\$ 4,398
0890048	6610	CSU		\$ 2,323	\$ 2,323
0890050	6610	CSU		\$ 6,388	\$ 6,388
0780138	6610	CSU		\$ 11,444	\$ 11,444
0890074	6610	CSU		\$ 42,797	\$ 42,797
0780136	6610	CSU - Jt Library		\$ 6,298	\$ 6,298
0890085	6610	CSU - Monterey Library		\$ 112	\$ 112
0890093	6870	Community Colleges	\$ 940		\$ 940
	8860	Department of Finance	\$ 383		\$ 383
0890085	8950	Veteran's Affairs		\$ 1,321	\$ 1,321
0780125	8950	Veteran's Affairs		\$ 57,820	\$ 57,820
0780126	8950	Veteran's Affairs		\$ 2,987	\$ 2,987
0780145	8950	Veteran's Affairs		\$ 751	\$ 751
0780146	8950	Veteran's Affairs		\$ 464	\$ 464
TOTALS			\$ 149,248	\$ 499,256	\$ 648,504

