

POOLED MONEY INVESTMENT BOARD
APRIL 15, 2009
Staff Report – Agenda Item 7

RECOMMENDATIONS

Loan Renewal Requests

- Item 7.a. Department of Housing and Community Development, Housing and Emergency Shelter Trust Fund Act of 2002**
Recommendation: Staff recommends approval of this loan in the amount of \$695,000,000.
Comments: This amount is sufficient to cover the \$109,513,000 of disbursements authorized by Department of Finance’s (DOF) Budget Letter 09-09 and the accrued interest that must be paid upon loan renewal. The current outstanding amount of disbursements on this loan (prior to and excluding the \$109,513,000) is expected to be paid in full from the proceeds of next week’s General Obligation (GO) bond sale.
- Item 7.b. Department of Housing and Community Development, Housing and Emergency Shelter Trust Fund Act of 2006**
Recommendation: Staff recommends approval of this loan in the amount of \$188,000,000
Comments: This amount is sufficient to cover the \$72,556,000 of disbursements authorized by DOF’s Budget Letter 09-09 and accrued interest that must be paid upon loan renewal. The current outstanding amount of disbursements on this loan (prior to and excluding the \$72,556,000) is expected to be paid in full from the proceeds of next week’s GO bond sale.
- Item 7.c. California Institute for Regenerative Medicine, California Stem Cell Research and Cures Bond Act of 2004**
Recommendation: Staff recommends approval of this loan in the amount of \$295,000,000.
Comments: This amount is sufficient to cover the \$43,000,000 of disbursements authorized by DOF’s Budget Letter 09-09 and accrued interest that must be paid upon loan renewal. The current outstanding amount of disbursements on this loan (prior to and excluding the \$43,000,000) is expected to be paid in full from the proceeds of next week’s GO bond sale.

New Loan Requests

Item 7.d. **California Air Resources Board**, Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006
Recommendation: Staff does not recommend approval at this time.
Comments: This loan is not included in DOF's Budget Letter 09-09. The Air Resources Board did receive \$33 million of funding from the recent GO bond sale for amounts owed for past obligations.

Item 7.e. **California Department of Corrections and Rehabilitation**, SPWB Lease Revenue Bonds, AB 900, CA Medical Facility, Vacaville: 64-Bed Intermediate Care Facility
Recommendation: Staff does not recommend approval at this time.
Comments: While this loan was included in DOF's Budget Letter 09-09, the staff recommendation to not approve this loan is based on the following:

- As a result of litigation regarding AB 900 filed by the Taxpayers for Improving Public Safety (TIPS), the Attorney General's Office has informed the State Treasurer's Office (STO) that it will not be able to provide its customary bond opinion until there is a final, non-appealable judgment in favor of the State.
- The Pooled Money Investment Board's (Board) past practice has been to not approve any loans for which the Attorney's General's Office can not issue its customary bond opinion.
- Staff of the STO's Public Finance Division has identified excess proceeds associated with another State Public Works Board (SPWB) bond issue for the Department that may be able to be used to fund the amount of this loan request (\$3,293,000).
- The federal court overseeing the Coleman litigation has ordered the State to submit detailed schedules no later than May 26, 2009, or face possible sanctions.

Although the risks of delaying construction are significant given the judge's order, as mentioned above, the Board's practice has been not to approve any loans for which the Attorney General's Office can not issue its customary opinions. To do otherwise could expose the fund to an unacceptable risk not just for the two loans for the Department on this agenda, but also for additional AB 900 projects that will be brought before the Board in the coming months and the next fiscal year. TIPS has indicated an intent to file an appeal with the Supreme Court. Assuming the Supreme Court agrees to take the appeal, a final, non-appealable judgment may not be issued for up to 12 months. While DOF has not provided complete numbers regarding future AB 900 projects, the

STO believes that several hundred million dollars in AB 900 projects may need AB 55 loans or bond funding during the same period of time. Particularly in light of the fact that there may be other funds available to fund this project, staff recommends that the Board not approve this loan at this time.

Item 7.f. **California Department of Corrections and Rehabilitation,**
SPWB Lease Revenue Bonds, AB 900, CA Medical Facility,
Vacaville: Enhanced Outpatient Treatment and Office Space
Recommendation: This request has been withdrawn by the Department.
Comments: No Board action is required

Item 7.g. **California Department of Corrections and Rehabilitation,**
SPWB Lease Revenue Bonds, AB 900, CA Men’s Colony, San
Luis Obispo: 50 Mental Health Crisis Beds
Recommendation: Staff does not recommend approval at this time.

Comments: While this loan was included in DOF’s Budget Letter 09-09, the
staff recommendation to not approve this loan is based on the
following:

- As a result of litigation regarding AB 900 filed by the Taxpayers for Improving Public Safety (TIPS), the Attorney General’s Office has informed the State Treasurer’s Office (STO) that it will not be able to provide its customary bond opinion until there is a final, non-appealable judgment in favor of the State.
- The Board’s past practice has been to not approve any loans for which the Attorney’s General’s Office can not issue its customary bond opinion.
- Staff of the STO’s Public Finance Division has identified excess proceeds associated with another SPWB bond issue for the Department that may be able to be used to fund the amount of this loan request (\$3,872,000).
- The federal court overseeing the Coleman litigation has ordered the State to take all steps necessary to have contracts with the architect, engineering firm and EIR consultant in place by April 23, 2009 or face possible sanctions.

Although the risks of delaying construction are significant given the judge’s order, as mentioned above, the Board’s practice has been not to approve any loans for which the Attorney General’s Office can not issue its customary opinions. To do otherwise could expose the fund to an unacceptable risk not just for the two loans for the Department on this agenda, but also for additional AB 900 projects that will be brought before the Board in the coming

months and the next fiscal year. TIPS has indicated an intent to file an appeal with the Supreme Court. Assuming the Supreme Court agrees to take the appeal, a final, non-appealable judgment may not be issued for up to 12 months. While DOF has not provided complete numbers regarding future AB 900 projects, the STO believes that several hundred million dollars in AB 900 projects may need AB 55 loans or bond funding during the same period of time. Particularly in light of the fact that there may be other funds available to fund this project, staff recommends that the Board not approve this loan at this time.

AB 55 Loan Disbursement Freeze

Staff recommends that the Board continue the freeze on AB 55 loan disbursements except for disbursements authorized by DOF's Budget Letter 09-09. However, as described in the staff report for the April 6, 2009 Board meeting, based on completed and planned bond sales for April, more than \$5 billion of direct project funding from bond proceeds is expected to be provided to projects impacted by the freeze