

POOLED MONEY INVESTMENT BOARD
915 Capitol Mall, Room 587
Sacramento, CA 95814

MINUTES

Wednesday, November 18, 2015

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

Roll: Tim Schaefer for State Treasurer John Chiang
Richard Chivaro for State Controller Betty T. Yee
Eraina Ortega for Director of Finance Michael Cohen

Staff Present: Jeff Wurm, State Treasurer's Office
Julia Bilaver, Attorney General's Office
Mark Paxson, State Treasurer's Office

MINUTES

Mr. Chivaro moved to approve the minutes for the October 21, 2015 meeting. Upon a second by Ms. Ortega the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

PMIB DESIGNATION

Mr. Sean Collier of the State Treasurer's Office presented a Portfolio Summary Report as of October 31, 2015. On that day, the portfolio stood at \$64.017 billion. The effective yield was 0.364%, a quarter-to-date yield was 0.357% and a year-to-date yield was 0.336%. The average life of the portfolio was 200 days. AB55 Loans approved were \$459 million, with a disbursed amount of \$125 million. The Local Agency Investment Fund had \$19.727 billion total deposits, with 2,470 total participants.

Mr. Chivaro moved to approve Designation No. 1797. Upon a second by Ms. Ortega the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

DECLARATION OF SURPLUS MONEY/REDUCTION OF SURPLUS MONEY

Mr. Collier presented the changes in the Surplus Money Investment Fund for the period October 1, 2015, through October 31, 2015. Declaration of Surplus Money was in the amount of \$44.085 billion. A reduction in Surplus Money was in the amount of \$47.363 billion. An attached list from the State Controller's office shows the breakdown.

Mr. Schaefer posed the question to Ms. Coleen Morrow of the State Controller's office who was sitting in the audience, asking if the reason for the large number is because Fund No. 0681 had \$33,932,548,000 recorded both in and out. Ms. Morrow confirmed that is correct, that there had been an accounting entry made in error which was reversed the following day.

Mr. Chivaro moved to approve the Surplus Money Declaration/Reduction for the month of October 2015. Upon a second by Ms. Ortega the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

SURPLUS MONEY INVESTMENT FUND REQUEST (SMIF)

There were no SMIF requests for this month.

PMIA INVESTMENT POLICY / NEW COMMERCIAL PAPER ISSUERS

Mr. Jeff Wurm of the State Treasurer's Office, Investment Division presented the Investment Policy item for the Pooled Investment Money Account. He stated that the Investment Policy was presented in August 2015 and the purpose of today's topic is informational regarding investment policy changes and to advise the Board of the specific changes to the policy in accordance with Government Code §16430. The policy has been updated to include a number of items, the details of which are outlined on Page 6 of the PMIA Investment Policy document.

Regarding the commercial paper program, Section F (1) of the policy was previously set for a maximum maturity of 180-days. The investment period will now been changed to 270-days. Section F (5) in the policy now includes "federally or state-chartered banks or a state-licensed branch of a foreign bank" as eligible commercial paper issuers. Both of these changes will become effective January 1, 2016.

Mr. Wurm requested Board approval of four commercial paper programs in which there was a past investment relationship: BNP Paribas, Mizuho Banking Ltd., Rabobank, and Société Générale. Each program has received strong ratings from the national rating agencies, and all ratings meet Government Code requirements. Mr. Wurm recommended adding these names to the approved list of investments beginning January 1, 2016 when the government code changes and the PMIA Investment Policy changes take effect. Discussion clarifying details followed.

Mr. Chivaro moved to approve the new commercial paper issuers. Upon a second by Ms. Ortega the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

PROPOSED 2016 PMIB MEETING DATES

Mr. Collier presented the following proposed dates for the Board's 2016 meetings:

January 20, 2016	July 20, 2016
February 17, 2016	August 17, 2016
March 16, 2016	September 21, 2016
April 20, 2016	October 19, 2016
May 18, 2016	November 16, 2016
June 15, 2016	December 14, 2016

Mr. Chivaro moved to approve the proposed 2016 meeting dates. Upon a second by Ms. Ortega the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

REVIEW OF POOLED MONEY INVESTMENT ACCOUNT LOAN POLICY

Ms. Tiffany Connelly of the State Treasurer's Office Public Finance Division presented the request to increase aggregate loan limit in Section 6.0 of the PMIA Loan Policy from \$500 Million to \$1 Billion:

The Department of Finance ("DOF") submitted a request to modify Section 6.0 of the PMIA Loan Policy to increase the maximum aggregate amount of all approved PMIA Loans from \$500 Million to \$1 Billion as detailed in Exhibit A. The increase to the aggregate loan limit would provide additional capacity for the State Public Works Board ("SPWB") to manage its portfolio of approximately \$4 Billion in authorized but unissued lease revenue bond projects many of which address critical infrastructure needs of the State. According to DOF, without the increase, several authorized SPWB projects will be delayed, including projects that allow the State to respond to natural disasters more effectively and several local public safety facilities.

Increasing the aggregate loan limit also provides the SPWB with the flexibility to fund projects further along in the construction process, reducing the amounts needed at the time of a bond sale to fund capitalized interest on projects and providing savings to the State. Further, selling bonds for projects that are complete or near completion eliminates or reduces perceived construction risk among investors.

For the reasons identified in DOF's memo, staff supported and recommended that Section 6.0 of the PMIA Loan Policy be amended to increase the aggregate loan limit to \$1 Billion as shown on the attached Exhibit B to this staff report.

Ms. Eraina Ortega expressed thanks to the Treasurer and staff for working with DOF to revise this policy. The policy change is important to the program allowing for more projects to go into the pipeline. Ms. Ortega's appreciation was endorsed by Mr. Schaefer who then commented on the challenges of managing the state's bond financing of projects and how this change is a smart financial strategy that benefits the state and taxpayers.

Mr. Chivaro moved to approve the proposed PMIA Loan Policy amendments. Upon a second by Ms. Ortega the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

AB55 LOAN PROGRAM (Government Code §16312)

Ms. Connelly presented the PMIA loans monthly report, noting that Loan Renewal Request Items 9.e & 9.f were withdrawn. Staff recommended approval of the remaining four loan renewal requests (Items 9.a – 9.d) on the agenda in the amounts shown on column f of Exhibit A to this staff report. Items 9.a & 9.b reflect increases necessary to pay accrued interest and administrative costs. Items 9.c & 9.d reflect increases necessary to continue design-build, as well as to pay accrued interest and administrative costs.

The four loan requests are in compliance with the current AB55 Loan Policy. In addition, on November 6, 2015, an AB55 Loan in the amount of \$7,895,000 was paid off, and on November 19, 2015, it is

anticipated another \$110,281,000 in outstanding AB55 Loans will be paid off from the sale of bonds. The impact on the pool from all of the above actions will result in a net decrease of \$89,676,000.

LOAN RENEWAL REQUESTS

	<u>PMIB Loan No.</u>	<u>Department</u>	<u>Amount</u>
a.	1560009	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Ishi Conservation Camp: Replace Facility	\$1,426,000.00
b.	1560010	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds South Operations Area Headquarters: Relocate Facility	1,365,000.00
c.	1560011	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds Los Angeles County Camp Kilpatrick Juvenile Center	27,016,000.00
d.	1560012	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds Kern County Jail Project	49,979,000.00

Ms. Ortega moved to approve the staff recommendation and to approve the four loan renewal requests. Upon a second by Mr. Chivaro, the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

ADJOURNMENT

In the absence of further business, the meeting was adjourned at 10:20 a.m.

Respectfully submitted,

Grant Boyken
Executive Secretary