

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

**MINUTES**

Wednesday, June 15, 2005

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

Roll:                    Juan Fernandez for State Treasurer Philip Angelides  
                              Cindy Aronberg for State Controller Steve Westly  
                              Anne Sheehan for Director of Finance Thomas J. Campbell

Staff Present:        Mark Paul, Executive Secretary, PMIB  
                              Doug Spittler, State Treasurer's Office  
                              Connie LeLouis, Attorney General's Office  
                              Mark Paxson, State Treasurer's Office

**APPROVAL OF MINUTES**

The Minutes for the meeting of May 18, 2005, were approved as submitted, 3-0.

**APPROVAL OF PMIB DESIGNATION NO. 1672**

Mr. Doug Spittler of the State Treasurer's Office presented the portfolio Summary Report as of June 8, 2005. On that day, the portfolio stood at \$60.328 billion. The effective yield was 2.945%, the quarter-to-date yield was 2.812% and the year-to-date yield was 2.201%. The average life of the portfolio was 173 days and AB 55 Loans approved stood at \$5.009 billion with \$1.612 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$19.146 billion with 2,699 participants.

Mr. Steve Muraki of the Cash Management Division of the State Treasurer's Office presented a summary of the Forecast of Changes in Portfolio for the Pooled Money Investment Account for the period June 13, 2005, through August 19, 2005. He stated that over the ten-week period of the forecast there would be a decrease in the portfolio of \$4.592 billion due to disbursements exceeding receipts by \$3.090 billion and a drop in outstanding warrants \$1.502 billion. Mr. Muraki continued by highlighting several of the key receipts. He noted that Sales, Liquor, and Utility Surcharge were expected to total \$8.153 billion and that the Motor Vehicle Fuel Taxes were expected to total \$533.8 million. Personal Income and Bank & Corporation Taxes were expected to total \$10.299 billion while the Insurance Gross Premium Taxes were anticipated at \$390.8 million. Proceeds from the Sale of State Bonds were estimated at \$895.3 million. For this ten-week period, \$37.727 billion was anticipated in receipts.

Mr. John Korach of the State Controller's Office presented the Estimated Pooled Money Disbursements for the forecast period and highlighted several of the major disbursements. Public Schools and Community Colleges were expected to total \$5.024 billion. Health Care Services were anticipated at \$5.054 billion and \$6.153 billion to repay Revenue Anticipation Notes was scheduled for disbursement the week of June 27<sup>th</sup>. The Payroll Revolving Fund was scheduled to disburse \$1.254 billion the week of June 27<sup>th</sup> with another payment of \$1.003 billion the week of August 1<sup>st</sup>. State & Local Bond Construction payments, which included payments for AB 55 loans and the Children's Hospital programs, were estimated at \$293 million for the week of June 20<sup>th</sup> with another payment of \$344 million the week of July 4<sup>th</sup>. Mr. Korach said disbursements for the 10-week period were estimated to total \$40.817 billion.

Designation No. 1672 was approved, 3-0.

#### **APPROVAL OF SURPLUS MONEY DECLARATION/REDUCTION**

Mr. Doug Spittler presented the changes in the Surplus Money Investment Fund for the period May 1, 2005, through May 31, 2005. During that month \$9.879 billion was declared surplus in various special funds, while \$9.300 billion was declared to be a reduction in surplus.

The Surplus Money Declaration/Reduction for the month of May 2005 was approved, 3-0.

#### **APPROVAL OF SURPLUS MONEY INVESTMENT FUND REQUESTS**

Mr. Spittler said there were no SMIF requests for this month.

#### **APPROVAL OF COMMERCIAL PAPER ISSUERS**

On behalf of the Investment Division of the State Treasurer's Office, Mr. Bill Dowell presented the names of two new commercial paper issuers for the approval of the Board. These two names were Countrywide Financial Corporation and Citigroup Funding Inc.

Mr. Dowell presented Countrywide Financial Corporation first. He said the new commercial paper program of Countrywide Financial Corporation (based in Calabasas, California) would be replacing the commercial paper program of its subsidiary, Countrywide Home Loans Inc., which has been an approved PMIA investment since 1993. Countrywide Financial Corporation and its subsidiaries have approximately 20,000 California employees. The new commercial paper program is rated P-2/A-1/F1 by Moody's, S&P and Fitch. The program is authorized to issue \$12 billion and currently has \$7.4 billion outstanding.

Mr. Dowell then presented Citigroup Funding Inc., a wholly-owned subsidiary of Citigroup Inc. Citigroup Funding Inc. that was created recently to consolidate the three separate commercial paper programs of Citicorp., Citigroup, and Citigroup Global Market Holdings under one corporate umbrella. The commercial paper programs of these three Citigroup Inc. subsidiaries

have been approved PMIA investments for many years. The new commercial paper program is rated P-1/A-1+/F1+ by Moody's, S&P and Fitch. The three programs were authorized to issue \$40 billion and currently have \$32.8 billion outstanding.

Mr. Dowell said that approval of these two programs would enable the Investment Division to continue working with two highly rated commercial paper issuers which would help to maintain diversity and competitive yields for the PMIA. Cindy Aronberg asked about the recent settlement that Citicorp entered into with the Federal Government relating to its involvement as a banker for Enron Corporation. Ms. Aronberg wanted to know if the financial implications of such a settlement had been considered in the evaluation of Citigroup Funding, Inc and if their alleged wrongdoing might preclude them from participating in the PMIA. Mr. Dowell answered that the Investment Division was aware of this settlement when it evaluated the credit risk of Citigroup Funding, Inc. He noted that the national rating agencies (Moody's, S&P, Fitch) have sustained their prime ratings for the firm and that the financial settlement was not expected to impact the ratings. Mr. Dowell also pointed out that Citigroup has a Community Reinvestment Act (CRA) rating of "Outstanding." He concluded by stating that the Investment Division found nothing in their review of Citigroup Funding Inc. that would preclude them from becoming an approved name for the PMIA.

The Board approved the use of both Issuers, 3-0.

### **APPROVAL OF AB 55 LOANS**

Mr. Phil Osborn of the Public Finance Division of the State Treasurer's Office presented twenty-two loan requests as shown in the following table. He noted that the first four loans (a. – d.) were for general obligation programs while the remaining eighteen loans (e. – v.) were for lease revenue programs.

<b>Agenda Item</b>	<b>Loan Number</b>	<b>Type</b>	<b>Department/Program</b>	<b>Adjusted Loan Amount</b>
7.a.	0450177	GO/Renewal	State Allocation Board Office of Public School Construction School Facilities Bond Act of 1992 (June)	\$8,308,000.00
7.b.	0450178	GO/Renewal	California State Library California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000	\$57,790,000.00
7.c.	0450179	GO/Renewal	Resources Agency Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	\$298,665,000.00
7.d.	0450180	GO/New	California Health Facilities Financing Authority Children's Hospital Bond Act of 2004	\$378,400,000.00

**APPROVAL OF AB 55 LOANS (Continued)**

<b>Agenda Item</b>	<b>Loan Number</b>	<b>Type</b>	<b>Department/Program</b>	<b>Adjusted Loan Amount</b>
7.e.	0450181	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Sonora Forest Fire Station	\$3,262,113.00
7.f.	0450182	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Santa Clara Ranger Unit Headquarters	\$158,720.00
7.g.	0450183	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Bautista Conservation Camp	\$43,200.00
7.h.	0450184	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Vallecito Conservation Camp	\$43,973.00
7.i.	0450185	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Sand Creek Forest Fire Station	\$1,700,986.00
7.j.	0450186	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Independence Forest Fire Station	\$27,494.00
7.k.	0450187	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Harts Mill Forest Fire Station	\$27,928.00
7.l.	0450188	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Fort Jones Forest Fire Station	\$2,408,700.00
7.m.	0450189	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Nipomo Forest Fire Station	\$82,270.00
7.n.	0450190	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds San Marcos Forest Fire Station	\$385,357.00
7.o.	0450191	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Usona Forest Fire Station	\$143,993.00
7.p.	0450192	REV/Renewal	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Springville Forest Fire Station	\$415,758.00
7.q.	0450193	REV/Renewal	Department of Mental Health SPWB Lease Revenue Bonds Metropolitan State Hospital - Construct School Bldg.	\$448,000.00

**APPROVAL OF AB 55 LOANS (Continued)**

<b>Agenda Item</b>	<b>Loan Number</b>	<b>Type</b>	<b>Department/Program</b>	<b>Adjusted Loan Amount</b>
7.r.	0450194	REV/Renewal	Department of Corrections SPWB Lease Revenue Bonds CA Medical Facility, Vacaville - Unit V Modular Housing Replacement	\$5,857,000.00
7.s.	0450195	REV/Renewal	Department of Corrections SPWB Lease Revenue Bonds CA Medical Facility, Vacaville - Ambulatory Care Clinic	\$2,490,000.00
7.t.	0450196	REV/Renewal	Department of Corrections SPWB Lease Revenue Bonds CA Men's Colony – D Quad Mental Health Services Bldg.	\$2,549,000.00
7.u.	0450197	REV/Renewal	Department of Developmental Services SPWB Lease Revenue Bonds Porterville Developmental Center – 96 Bed Forensic Residential Expansion	\$6,064,000.00
7.v.	0450198	REV/Renewal	Department of Developmental Services SPWB Lese Revenue Bonds Porterville Development Center - Forensic Recreation and Activity Center	\$706,000.00

Mr. Osborn said that all loans were recommended for approval as presented and that the impact on the Pool would be to increase the loan portfolio by \$584,849,672.80.

All twenty-two loan requests were approved as recommended by staff, 3-0.

**PUBLIC COMMENT**

None.

In the absence of further business, the meeting was adjourned at 10:16 a.m.

Respectfully submitted

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Mark Paul  
Executive Secretary