

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

MINUTES

Wednesday, January 18, 2006

The meeting was called to order at 10:04 a.m.

Roll: Francisco Lujano for State Treasurer Philip Angelides
Cindy Aronberg for State Controller Steve Westly
Anne Sheehan for Director of Finance Michael Genest

Staff Present: Dennis Trujillo, Executive Secretary, PMIB
Bill Dowell, State Treasurer's Office
Patricia Pechtel, Attorney General's Office
Mark Paxson, State Treasurer's Office

APPROVAL OF MINUTES

The Minutes for the meeting of December 21, 2005, were approved as submitted, 3-0.

APPROVAL OF PMIB DESIGNATION NO. 1679

Mr. Bill Dowell of the State Treasurer's Office presented the portfolio Summary Report as of January 11, 2006. On that day, the portfolio stood at \$57.393 billion. The effective yield was 3.935%, the quarter-to-date yield was 3.918% and the year-to-date yield was 3.444%. The average life of the portfolio was 190 days and approved AB 55 Loans approved stood at \$7.324 billion with \$1.864 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$16.517 billion with 2,656 participants.

Designation No. 1679 was approved, 3-0.

APPROVAL OF AUTHORIZATION FOR GENERAL FUND INTERNAL BORROWING:

Mr. Bill Dowell presented the document authorizing the General Fund to borrow from internal sources – the special funds and accounts within the State Treasury – to meet its cash needs during periods of shortfall. The authorization presented at this meeting was for the period February 1, 2006 through April 30, 2006. He noted that the amount available from various internal funds is estimated to be \$10.960 billion.

The Authorization for General Fund Internal Borrowing for the period February 1, 2006 through April 30, 2006 was approved, 3-0.

APPROVAL OF SURPLUS MONEY DECLARATION/REDUCTION

Mr. Bill Dowell presented the changes in the Surplus Money Investment Fund for the period December 1, 2005 through December 31, 2005. During that month \$9.085 billion was declared surplus in various special funds, while \$8.537 billion was declared to be a reduction in surplus.

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

APPROVAL OF SURPLUS MONEY INVESTMENT FUND REQUESTS

Mr. Bill Dowell stated there were no Surplus Money Investment Fund requests for this month.

ARRANGEMENTS WITH BANKS (INFORMATIONAL ITEM)

Mr. John Hiber, Director of the Cash Management Division of the State Treasurer's Office presented this item. He stated the State Treasurer's Office recently met with the seven demand account depository banks. For 2005-06 the Treasurer approved the same service charges that were in force for the previous year and the same float factor for uncollected funds. Mr. Hiber reviewed a schedule that summarized the 2004-05 charges at each bank. The schedule outlined the cost of the estimated workload at each bank, the actual workload at each bank, and differences between the two. Mr. Hiber noted that, consistent with existing Board policy, the differences would be applied to balances in 2005-06. Mr. Hiber said this was being presented to the PMIB as an informational item because of the Board's responsibility for designating balances with the depository banks.

Ms. Cindy Aronberg stated that she had received inquiries about becoming a depository bank and asked if any new banks were actively being considered. Mr. Hiber said that evaluating new banks is an ongoing process. An important factor in this process is to determine if there is a benefit to the State by adding a new bank. He said most of the large banks in the state are currently depository banks. Evaluating the need for a new demand account bank involves determining if there will be a fiscal benefit to the State and if there will be an improvement in the geographic coverage of California. He said the locations of existing branches of approved banks are doing a good job of servicing State agencies. He stated when banks inquire about becoming a depository bank, they are provided with complete information necessary to become a depository bank. He continued by stating that, at this time, no banks are actively interested in becoming an approved demand account depository bank. He noted there is a cost to add an additional bank and pointed out that compensating balances would need to be adjusted if another bank was added.

Ms. Anne Sheehan inquired as to why the Miscellaneous Sort costs were shifted from Bank of America to Union Bank. Mr. Hiber said it was because the contract was competitively bid and awarded to Union Bank several years ago. He said the existing contract will expire in 2007 and at that time it can be competitively bid again or the contract with Union Bank may be extended for two more years.

Mr. Hiber reminded the Board that the competitive bidding process is an important component in maintaining competitive pricing and noted it is in the State's best interest to keep demand account relationships with several banks in order to be cost efficient. In conclusion, Mr. Hiber said that a survey of banking fees indicates the PMIB approved fees are competitive with published rates at the depository banks.

APPROVAL OF AB 55 LOANS

Mr. Taylor Urban of the Public Finance Division of the State Treasurer's Office presented twelve loan requests as shown in the following table. He noted that the first five loans (Items 8.a. – 8.e.) were for general obligation programs, that loan 8.f. was for the CalHFA revenue bond program, and that the remaining six loans (Items 8.g. – 8.l.) were for lease revenue programs.

| Agenda Item | Loan Number | Type | Department/Program | Adjusted Loan Amount |
|--------------------|--------------------|-------------|---|-----------------------------|
| 8.a. | 0560111 | GO/Renewal | Department of Fish and Game Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Bond Act of 2000 | \$2,065,000.00 |
| 8.b. | 0560112 | GO/Renewal | Department of Veterans Affairs Veterans' Homes Bond Act of 2000 | \$20,100,000.00 |
| 8.c. | 0560113 | GO/Renewal | California Community Colleges Class Size Reduction Kindergarten- University Public Education Facilities Bond Act of 1998 (Hi-Ed) | \$53,296,000.00 |
| 8.d. | 0560114 | GO/Renewal | California Community Colleges Kindergarten-University Public Education Facilities Bond Act of 2004 (Hi-Ed) | \$138,000,000.00 |
| 8.e. | 0560115 | GO/Renewal | Resources Agency Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 | \$277,195,000.00 |
| 8.f. | 0560116 | REV/Renewal | California Housing Finance Agency CalHFA Revenue Bond Program Loan Warehousing Program (Revolving) | \$300,000,000.00 |
| 8.g. | 0560117 | REV/Renewal | Office of Emergency Services SPWB Lease Revenue Bonds Los Angeles Regional Crime Laboratory | \$78,077,250.00 |
| 8.h. | 0560118 | REV/Renewal | Department of General Services SPWB Lease Revenue Bonds Central Plant Renovation | \$18,000,000.00 |
| 8.i. | 0560119 | REV/Renewal | University of California SPWB Lease Revenue Bonds UC Irvine: UCIMC Replacement Hospital | \$45,324,573.00 |

APPROVAL OF AB 55 LOANS (Continued)

| Agenda Item | Loan Number | Type | Department/Program | Adjusted Loan Amount |
|--------------------|--------------------|-------------|---|-----------------------------|
| 8.j. | 0560120 | REV/Renewal | Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Ukiah Forest Fire Station | \$3,634,584.00 |
| 8.k. | 0560121 | REV/Renewal | Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Cuyamaca Forest Fire Station | \$1,080,557.00 |
| 8.l. | 0560122 | REV/Renewal | Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Valley Center Forest Fire Station | \$2,158,890.00 |

Mr. Urban noted that agenda item 8.l. had been reduced from \$2,158,983.00 to \$2,158, 890.00, a decrease of \$93.00. Mr. Urban said that all loans were recommended for approval as presented and that impact on the Pool would be to increase the loan portfolio by \$268,824,942.79.

The twelve loan requests were approved as recommended by staff, 3-0.

PUBLIC COMMENT

None.

In the absence of further business, the meeting was adjourned at 10:15 a.m.

Respectfully submitted

Dennis A. Trujillo
Executive Secretary