

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

MINUTES

Wednesday, September 19, 2007

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

Roll: Francisco Lujano for State Treasurer Bill Lockyer
Richard Chivaro for State Controller John Chiang
Vince Brown for Director of Finance Michael C. Genest

Staff Present: Paul Rosenstiel, State Treasurer's Office
Bill Dowell, State Treasurer's Office
Catherine Brown, Attorney General's Office
Mark Paxson, State Treasurer's Office

APPROVAL OF MINUTES

The Minutes for the meeting of August 15, 2007, were approved as submitted, 3-0.

PMIB DESIGNATION

Mr. Bill Dowell of the State Treasurer's Office presented the portfolio Summary Report as of August 31, 2007. On that day, the portfolio stood at \$57.094 billion. The effective yield was 5.269%, the quarter-to-date yield was 5.254% and the year-to-date yield was 5.254%. The average life of the portfolio was 214 days and AB 55 Loans approved stood at \$8.525 billion with \$4.107 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$19.156 billion with 2,613 participants.

Mr. Vince Brown asked what impact recent rate reduction steps taken by the Federal Reserve Bank might have on the PMIA yields. Mr. Dowell responded by indicating that it had already had an impact and the investment levels offered this morning were lower than had been offered during the previous day's trading. He said the yield on the Pool tends to follow the Fed Funds Rate, so now they've initiated a rate reduction – the yield on the Pool will likely start to come downward.

Designation No. 1699 was approved, 3-0.

DECLARATION OF SURPLUS MONEY/REDUCTION OF SURPLUS MONEY

Mr. Dowell presented the changes in the Surplus Money Investment Fund for the period August 1, 2007 through August 31, 2007. During that month \$8.534 billion was declared surplus in various special funds, while \$10.726 billion was declared to be a reduction in surplus.

The Surplus Money Declaration/Reduction for the month of August 2007 was approved, 3-0.

SURPLUS MONEY INVESTMENT FUND REQUESTS

Mr. Dowell said there were no requests for this month.

LITIGATION REGARDING AB 900 LEASE REVENUE BONDS

At the last meeting, the Board requested information regarding pending litigation that challenges many of the financial provisions of AB 900. Deputy Attorney General Catherine Brown of the Department of Justice presented this informational item.

Ms. Brown began by explaining that pursuant to the Bagley-Keene Open Meeting law, this pending litigation had not been placed on a Closed Session agenda because the Closed Session exception for pending litigation only applies to litigation to which the state body is a party. That is not the case here because the PMIB is not named as a party in the suit. Ms. Brown said that she would discuss information regarding the litigation that is already available in public records.

This litigation was filed on August 8, 2007, by plaintiffs, Taxpayers for Improving Public Safety ("TiPS"). The lawsuit seeks declaratory relief to invalidate AB 900 (Stats. 2007, Ch. 7) and to enjoin the sale of lease revenue bonds by the State Public Works Board for the construction of prison and county jail facilities. The named defendants are the Governor, Department of Corrections and Rehabilitation and its Secretary, and the State Controller.

The plaintiffs allege that the AB 900 Bonds would violate the constitutional debt limit contained in Article XVI, Section 1 of the California Constitution, which requires any debt or liability of the State in excess of \$300,000 be approved by majority vote in a general state election. They are also challenging AB 900 by alleging that Government Code Section 15830 requires that lease revenue bonds issued by the State Public Works Board be paid with revenues other than revenues payable from the General Fund.

The State has filed pleadings requesting that the lawsuit be dismissed as insufficient to state a cause of action. The State contends that the AB 900 Bonds are valid based on well-established case law that identifies lease revenue bond transactions as exceptions to the constitutional debt limit. The State also contends that repaying lease revenue bonds from rental payments received by the State Public Works Board from the General Fund pursuant to appropriations for payment of lease obligations is consistent with Government Code Section 15830.

There are two upcoming hearings on the TiPS lawsuit (September 21 and September 25, 2007) and Ms. Brown offered to again update the PMIB following these hearings, if there was an interest. There were no questions and Mr. Francisco Lujano thanked Ms. Brown for her update.

AB 55 LOAN APPLICATIONS (Government Code § 16312)

Ms. Tiffany Connelly of the Public Finance Division of the State Treasurer’s Office presented 35 loan requests as shown in the following table. Ms. Connell noted that the spreadsheet had a few changes – the loan amounts for Items a., b., and j. were reduced. The first ten loans (Items a. – j.) were for general obligation bond programs and Item k. was a revenue bond loan for the CalHFA revenue bond program. The remaining 24 loans (Items l. – ai.) were for lease revenue bond programs.

Agenda Item	Loan Number	Department/Program	Adjusted Loan Amount
a.	0780001`	Housing and Community Development Housing and Emergency Shelter Trust Fund Act of 2006 (Tax-Exempt)	\$61,000,000.00
b.	0780002	Housing and Community Development Housing and Emergency Shelter Trust Fund Act of 2006 (Taxable)	\$135,850,000.00
c.	0780040	Housing and Community Development Housing and Emergency Shelter Trust Fund	\$46,500,000.00
d.	0780041	Housing and Community Development Housing and Emergency Shelter Trust Fund Act of 2002 (Taxable)	\$616,900,000.00
e.	0780019	Resources Agency Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006	\$362,277,000.00
f.	0780042	Department of General Services Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990	\$20,863,677.00

g.	0780043	Water Resources Control Board Water Conservation and Water Quality Bond Law of 1986	\$2,248,507.96
h.	0780044	State Allocation Board Office of Public School Construction Kindergarten-University Public Education Facilities Bond Act of 2002 (K-12)	\$588,910,814.80
i.	0780023	Department of Water Resources Disaster Preparedness and Flood Prevention Bond Act of 2006	\$444, 700,000.00
j.	0780039	California Transportation Commission Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond act of 2006	\$323,819,000.00
k.	0780045	California Housing Finance Agency CalHFA Revenue Bond Program Loan Warehousing Program (Revolving)	\$350,000,000.00
l.	0780028	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Ventura Youth Conservation Camp – Construct Apparatus Building & Shop/Warehouse	\$2,695,939.00
m.	0780029	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds San Luis Obispo Ranger Unit HQ – Replace Facility	\$570,000.00
n.	0780032	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Mendocino Ranger Unit HQ –	\$2,916,935.00

		Replace Automotive Shop	
o.	0780046	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Alma Helitack Base – Replace Facility	\$622,250.00
p.	0780026	Department of Education SPWB Lease Revenue Bonds School for the Deaf, Fremont – Pupil Personnel Services Building	\$3,749,700.00
q.	0780047	Department of Education SPWB Lease Revenue Bonds School for the Deaf, Riverside – Career and Technical Education Complex and Service Yard	\$1,840,000.00
r.	0780048	Department of Education SPWB Lease Revenue Bonds School for the Deaf, Riverside – New Gymnasium and Pool Center	\$1,760,000.00
s.	0780049	Department of Education SPWB Lease Revenue Bonds School for the Deaf, Riverside – Kitchen and Dining Hall Renovation	\$960,000.00
t.	0780050	University of California SPWB Lease Revenue Bonds Irvine Campus – Natural Sciences Unit 2, McGaugh Hall	\$14,026,332.00

u.	0780051	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds Salinas Valley State Prison – 64 Bed Mental Health Facility	\$19,869,430.00
v.	0780052	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds CCI Tehachapi – Wastewater Treatment Plant Renovation	\$14,133,028.00
w.	0780053	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds Chuckawalla Valley State Prison – Heating, Ventilation, and Air Conditioning System	\$30,293,767.00
x.	0780054	Department of General Services SPWB Lease Revenue Bonds Library and Courts Building Renovation	\$5,395,000.00
y.	0780055	California Conservation Corps SPWB Lease Revenue Bonds Delta Service District Center	\$1,741,200.00
z.	0780056	Department of Developmental Services SPWB Lease Revenue Bonds Porterville – Construct New Main Kitchen	\$2,501,550.00

aa.	0780057	Department of Developmental Services SPWB Lease Revenue Bonds Porterville – 96-Bed Forensic Residential Expansion and Recreation Complex	\$82,027,000.00
ab.	0780058	Department of Mental Health SPWB Lease Revenue Bonds Atascadero State hospital – 250-Bed Remediation	\$3,953,200.00
ac.	0780059	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Paso Robles Forest Fire Station – Replace Facility	\$570,200.00
ad.	0780060	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Las Posadas Forest Fire Station – Replace Facility	\$398,200.00
ae.	0780061	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Red Bluff Forest Fire Station/Unit HQ – Replace Station and Various Unit HQ Buildings	\$1,440,200.00
af.	0780062	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Ishi Conservation Camp – Replace Facility	\$1,488,200.00
ag.	0780063	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Fawn Lodge Forest Fire Station – Replace Facility	\$465,200.00

ah.	0780064	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Bieber Forest Fire Station & Helitack Base – Relocate Facility	\$1,427,200.00
ai.	0780065	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Westwood Forest Fire Station – Replace Facility	\$459,200.00

Ms. Connelly said that all loans were recommended for approval as presented and the impact on the Pool would be to increase the loan portfolio by \$1,759,558,705.00. *(Due to a calculation error, the impact to the pool was incorrectly stated during the meeting. The correct impact to the pool based on the approved loans is \$1,073,919,417.76.)*

All 35 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

Bettina Redway
Executive Secretary