

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

**MINUTES**

Friday, January 16, 2009

The meeting was called to order at 10:10 AM, in the CalPERS Board Room.

Roll: State Treasurer Bill Lockyer  
Director of Finance Michael C. Genest  
Richard Chivaro, for State Controller John Chiang  
(Arrived at approximately 10:35; during the discussion of AB 55 Loans.)

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

**MINUTES**

The Minutes for the December 17, 2008, meeting were approved as submitted, 2-0.

**PMIB DESIGNATION**

Mr. Bill Dowell of the State Treasurer's Office presented the portfolio Summary Report as of December 31, 2008. On that day, the portfolio stood at \$63.290 billion. The effective yield was 2.154%, the quarter-to-date yield was 2.545% and the year-to-date yield was 2.667%. The average life of the portfolio was 223 days and AB 55 Loans approved stood at \$11.852 billion, with \$5.680 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$23.392 billion, with 2,721 participants.

Designation No. 1715 was approved, 2-0.

**AUTHORIZATION FOR GENERAL FUND INTERNAL BORROWING:**

Mr. Dowell presented this document, which authorizes the General Fund to borrow from internal sources to meet its cash needs during periods of shortfall, for the period beginning February 1, 2009, through April 30, 2009. Mr. Dowell said the amount available from various internal funds was estimated to be up to \$16.605 billion. He also said the Controller's office was recommending an additional \$2.000 billion, contingent upon passage of specific pending legislation.

Mr. Genest indicated that, given the state's cash flow situation, there may be a need to look more frequently at the Internal Borrowing Authorization, rather than the traditional tri-monthly

authorization. He pointed out the Controller had recently published a Cash Management Plan that only went to the end of February, 2009. He had hoped to see a Cash Management plan that went through the end of the fiscal year. Mr. Genest suggested the Board adopt the staff recommendation, but make the authorization for only one month. Mr. Lockyer indicated the proposed resolution provides for \$16.605 billion and asked for clarification regarding the additional \$2.000 billion.

Mr. Genest explained the Administration had sponsored pending legislation (trailer bills) adding \$2.000 billion to the borrowable resources, so the staff recommendation seemed appropriate to Mr. Genest. If a Budget is enacted by February, he said there may be a need to initiate the additional borrowing before February 28, 2009.

The Authorization for General Fund Internal Borrowing, as amended, for the period February 1, 2009, through February 28, 2009, in the amount of up to \$18.605 billion was approved, 2-0.

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

Mr. Dowell presented the changes in the Surplus Money Investment Fund for the period December 1, 2008, through December 31, 2008. During that month, \$7,799,064,000 was declared Surplus in various special funds, while \$9,132,027,000 was declared to be a Reduction in Surplus.

The Surplus Money Declaration/Reduction for the month of December, 2008, was approved, 2-0.

#### **SURPLUS MONEY INVESTMENT FUND REQUESTS**

Mr. Dowell presented two requests to participate in the Surplus Money Investment Fund:

State Water Resources Control Board  
Water Pollution Control Revolving Fund  
Fund Number 9739

Department of Corrections and Rehabilitation  
Inmates Special Deposit Fund  
Fund Number 0942223

The Board accepted the staff recommendations of the State Controller's Office and the State Treasurer's Office and approved the requests, 2-0.

#### **DISCUSSION AND CONSIDERATION REGARDING THE IMPACT OF CASH MANAGEMENT REQUIREMENTS ON APPROVAL OF AB 55 LOANS, INCLUDING POSSIBLE REDUCTIONS OR FREEZING DISBURSEMENTS FOR OUTSTANDING, RENEWED, OR NEW LOANS**

Mr. Blake Fowler of the State Treasurer's Office Public Finance Division presented this item to the board. He noted that since the last PMIB meeting, there had not been any budget

solutions to improve the State's cash position and the STO had been unable to issue any General Obligation bonds or Lease Revenue bonds.

Mr. Fowler summarized the recommendations, as presented in Attachment A. Staff recommended the board approve Items 7 a, b, f and g for the amounts requested by the respective departments. These amounts are the current loan amount or reductions from the current loan, at the department's request. Staff further recommends the board approve Items 7 c and d for the amounts of the current loan, without the increases requested by the departments.

When considering Item 7 e.1, Mr. Fowler suggested the Board approve it as requested, noting it included a \$3.4 million increase for the Resources Agency to pay bond funded wages for the months of December, 2008 and January, 2009.

Mr. Fowler recommended new loan requests should be postponed until the next PMIB meeting. He explained that staff analysis indicated no need to decrease the loan amounts for the other outstanding loans presented in the Agenda (Items 7 k – ed), but allowed there may be a need to revisit the issue at a subsequent meeting. Mr. Fowler recommended the freeze on loan disbursements adopted at the last meeting continue except for a specified amount (\$500 million), with the Department of Finance (DOF) and State Controller's Office to establish a mutually agreeable disbursement certification process. He concluded by suggesting there should be an early February PMIB meeting, to advise the Board of any completed (or planned) bond sales and whether additional funds are available.

Mr. Genest sought verification that the Board would not be authorizing any new spending in adopting the staff recommendations. Mr. Fowler confirmed that was correct. Mr. Lockyer noted it was simply keeping the lines of credit in place that the Board previously had committed. He said to renew existing loans assures the borrowers will not fall technically into default.

(Note: Mr. Richard Chivaro arrived at this point, representing State Controller, John Chiang.)

The Board continued a wide ranging discussion of the matter. The comments acknowledged the difficult situation and the fact that the lack of cash had put on many important projects on hold. Mr. Genest clarified that if the Board approved these loan renewal requests, it would not constitute an approval to restart projects that has been delayed or stopped by virtue of the DOF Budget Letter. Mr. Fowler concurred, saying that was correct. Finally, Mr. Lockyer asked for clarification regarding the disbursement freeze.

Ms. Karen Finn of the DOF came forward and explained that following last month's board meeting, the DOF had worked closely with State agencies with outstanding loans, asking them to identify specifics regarding their cash needs. The agencies reported that approximately \$499 million of bills had already been incurred for work prior to the Board's action in December. DOF also asked them to estimate cash needs for the rest of the fiscal year (between January and June, 2009). The agencies estimated their needs to be approximately \$149 million.

Mr. Genest commented that, based on Ms. Finn's analysis, the DOF sees \$150 million in potential additional costs and \$500 million in work that has already been incurred. Therefore, authorizing disbursements in the amount of \$650 million, rather than \$500 million as recommended in the staff report, is most realistic.

Before asking for public comment, Mr. Lockyer summarized the loan process and what the PMIB's role is in facilitating the financing of various projects. Upon inviting public comment, the following people came forward representing their various constituencies:

Will Kempton  
Director, Caltrans

Ron Hudson  
Kings Canyon Unified School District

Dave Ackerman and Phil George  
Associated General Contractors

Elvyra San Juan  
California State Universities

John Ball  
Hensel Phelps Construction

Rudolph Rosen  
Ducks Unlimited

Skip Brown  
Delta Construction Company Inc.

Bill Vickrey  
Administrative Office of Courts

Kirk Girard  
Community Development Director  
Humboldt County  
North Coast Integrated Regional  
Water Management Program

Darla Guenzler  
California Council of Land Trusts

Tom Duffy  
California Association for  
Adequate School Housing

Tacy Correy  
California Association  
Resource Conservation Districts

Mavon Garrity  
Senator Allen Lowenthal's Office

Diane Crumley  
Yolo County  
Resource Conservation District

A motion was made to accept the recommendations of the STO staff; however, amending the recommended amount of disbursements from \$500 million to \$650 million as identified by the DOF. The motion was approved, 3-0.

**AB 55 LOAN APPLICATIONS (Government Code §16312)**

Mr. Geoff Palmertree of the State Treasurer’s Office Public Finance Division presented the eight loan requests as shown in the following table, in adherence to the motion past by the board. He said the first six loan requests (Items 7 a – e.1, were for General Obligation programs and the remaining two (Items 7 f and g) were for Lease Revenue programs:

<b>Agenda Item</b>	<b>Loan Number</b>	<b>Department/Program</b>	<b>Adjusted Loan Amount</b>
a.	0890091	Water Resources Control Board Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Bond Act	\$89,155,496.00
b.	0890092	Department of Water Resources California Safe Drinking Water Bond Law of 1988	\$1,200,000.00
c.	0890093	California Community Colleges Kindergarten-University Public Education Facilities Bond Act of 2004 (Hi Ed)	\$212,495,887.47
d.	0890068	California Department of Transportation for State Controller’s Office Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	\$167,265,000.00
e.	0890098	University of California Class Size Reduction Kindergarten- University Public Education Facilities Bond Act of 1998 (Hi-Ed)	\$7,589,446.33
e1.	0890099	Resources Agency Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	\$264,313,803.00
f.	0890096	Department of General Services SPWB Lease Revenue Bonds Capitol Area West End Complex	\$8,000,000.00
g.	0890097	California Conservation Corps SPWB Lease Revenue Bonds Tahoe Base Center Relocation/ Construction	\$10,339,002.00

Mr. Palmertree said all loans were recommended for approval as presented and the impact on the Pool would be to increase the loan portfolio by \$759,302.32.

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

**PUBLIC COMMENT**

None

**ADJOURNMENT**

In the absence of further business, the meeting was adjourned at 12:20 PM.

Respectfully submitted,

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Bettina Redway  
Executive Secretary