

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

**MINUTES**

Monday, April 6, 2009

The meeting was called to order at 2:10 PM, in the CalPERS Auditorium.

Roll: State Treasurer Bill Lockyer  
Director of Department of Finance Michael C. Genest  
Richard Chivaro, for State Controller John Chiang

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 March 18, 2009, meeting were approved as submitted, 3-0.

**AUTHORIZATION FOR GENERAL FUND INTERNAL BORROWING**

Mr. Bill Dowell presented this document which authorizes the General Fund to borrow from various internal sources to meet its cash needs during periods of shortfall. Mr. Dowell noted at the previous meeting the Board adopted an Authorization for Internal Borrowing that included April, 2009. Since then, the State Controller's Office has further evaluated the 19 reclassified borrowable funds (as authorized by recent legislation) and is recommending the amount available be increased by \$ 1.000 billion. Therefore, the amount that is estimated to be available from the various internal funds is up to \$19.605 billion.

Mr. Genest acknowledged the change and indicated it would no longer be necessary to bring this document to the Board each month. He felt it was appropriate, following this action, to return to a three month cycle. The other Board members concurred.

The Authorization for General Fund Internal Borrowing for the period April 6, 2009, through April 30, 2009, in the amount of up to \$19.945 billion was approved, 3-0.

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

Mr. Blake Fowler of the State Treasurer's Office Public Finance Division reviewed the staff report, beginning by giving the Board an update on recent and future bond sales:

**General Obligation (GO) Bond Private Placements.** On April 1, 2009, the STO issued \$132.89 million in GO bonds through a private placement sale with the Los Angeles County Metropolitan Transportation Authority.

**GO Bond Public Sale.** The STO on April 2, 2009 closed a \$6.54 billion issue of GO bonds. The demand from retail and institutional investors enabled the STO to increase the size of the sale from the planned \$4 billion to \$6.54 billion. The first \$3.87 billion of bond proceeds were used to pay down outstanding AB 55 loan disbursements by GO bond programs eligible for tax-exempt financing. The remaining \$2.67 billion of proceeds will be used to provide direct “upfront” financing (as opposed to funding from AB 55 loan proceeds) to fund GO bond projects eligible for tax-exempt financing. DOF will allocate the \$2.67 billion, as described below.

**Upcoming GO Bond Sale.** The STO plans to issue approximately \$3 billion of taxable GO bonds in a public sale during the weeks of April 13 or 20, 2009. Approximately \$1 billion of the bond proceeds will be used to pay down outstanding AB 55 loan expenditures by GO bond programs that are not eligible for tax-exempt financing. An additional amount of bond proceeds over the approximately \$1 billion will be used to provide direct funding for housing programs and other programs ineligible for tax-exempt financing. As part of the approximately \$3 billion, the STO also plans to issue taxable “Build America Bonds.”

**Upcoming Lease Revenue Bonds Sales.** The STO and the State Public Works Board have scheduled a \$434 million lease revenue bond sale for April 8, 2009 to fund certain projects for the DGS, Department of Education, Department of Developmental Services and the CSUs. There is also a \$200 million lease revenue bond sale for the University of California planned.

Ms. Karen Finn of the Department of Finance reviewed with the Board how the \$2.67 billion that Mr. Fowler described above would be allocated. She explained that approximately \$1.00 billion was allocated to the 276 projects that had been initially exempted from the freeze on disbursements of AB 55 loans. That left about 5400 other projects (excluding housing related issues), of which about \$1.50 billion was applied to pay past due bills. The net amount was being dedicated to start or re-start certain critical transportation, flood control, water management projects and creating a modest contingency reserve.

The Board engaged in a discussion of the success of the recent GO bond sale and the importance of getting back into the marketplace. Messrs. Genest and Lockyer asked for clarification on the potential impact of negative arbitrage as a result of the transition from interim funding through PMIA loan to more “up front” finance of bond projects. Ms. Katie Carroll, of the State Treasurer’s Office, elaborated on the importance of addressing negative arbitrage and said the staff is developing a plan to be presented at a future meeting. She reiterated the effectiveness of moving to the up front strategy, saying there would be greater stability in the financing of public projects.

Mr. Fowler then detailed the recommendations as outlined in the staff report:

**1. AB 55 Loan Disbursement Freeze.** Staff recommended the Board continue the freeze on AB 55 loan disbursements for all loans except for: (1) the balance of the \$650 million that was authorized at the January 16, 2009 Board meeting and the \$500 million of funds authorized on March 18, 2009, with the \$500 million to be disbursed pursuant to DOF's Budget Letter 09-09.

**2. Loan Renewals.** Staff recommended the Board approve the AB 55 loan renewals on the agenda in the amounts shown on column (g) of Exhibit A, and set forth below. The recommended amounts are for either the amount of the existing loan, a decrease requested by the relevant department, or an increase necessary for the requesting department to pay costs authorized by DOF.

**3. New Loans.** Staff recommends the Board not approve the six new loan requests for specific reasons. The High Speed Rail Authority had been financed via a commercial paper issue. The Department of Veteran's Affairs and the California Housing Finance Agency (CHFA) loan requests were not included in DOF's Budget Letter. The remaining three loan requests from the Department of Corrections have been withdrawn and will be on the next PMIB Agenda.

The Board discussed the impact of not approving the Veteran Affairs and CHFA loan requests. Mr. Genest received assurances from staff that there would not be an immediate impact on any veteran's home loans. Mr. Lockyer acknowledged the importance of the CHFA request, but said he had been told there would be no dire impact if this item was continued until a future meeting.

Mr. Lockyer invited public comment and the following people came forward to speak:

Professor Jan Hopmans  
Chair, Department of Land Water Resources  
University of California, Davis

Tom Duffy  
California Association for  
Adequate School Housing

Craig Sparks  
Mercy Housing California

Anne Fogelburg  
BRIDGE Housing

Julie Snyder  
Housing California

Dave Ferrier  
Community Housing Improvement Program  
(CHIP) Chico

Ken Cross  
Wilma and Imelda Marion  
Sacramento Habitat for Humanity

Sherreta Lane  
Children's Hospital Association

Ms. Finn offered to get back individually with any of the speakers who raised questions or needed further information on specific projects.

**AB 55 LOAN APPLICATIONS (Government Code §16312 and §16313)**

<b>Agenda Item</b>	<b>Loan Number</b>	<b>Department / Program</b>	<b>Adjusted Loan Amount</b>
a	0890121	California State University Kindergarten-University Public Education Facilities Bond Act of 2004 (Hi-Ed)	\$13,763,834.26
b	0890122	Department of Corrections and Rehabilitation New Prison Construction Bond Act of 1988	476,999.62
c	0890123	Department of Water Resources Water Conservation Bond Law of 1988	2,969,159.61
d	0890124	Department of Water Resources for Water Resources Control Board Safe, Clean, Reliable Water Supply Act	13,000,000.00
e	0890125	<del>Resources Agency Water Security, Clean Drinking Water, Coastal</del>	<del>395,629,803.00</del>
f	0890126	California Transportation Commission Clean Air and Transportation Improvement Act of 1990	18,689,259.42
g	0890127	California Department of Veterans Affairs SPWB Lease Revenue Bonds Fresno Veterans Home	9,700,000.00
h	0890128	California Department of Veterans Affairs SPWB Lease Revenue Bonds Redding Veterans Home	4,180,587.00
i	0890129	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Academy: Construct Dormitory and Expand Mess Hall	887,753.00

**AB 55 LOAN APPLICATIONS (Continued)**

j	0890130	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Badger Forest Fire Station: Replace Facility	661,605.00
k	0890131	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Intermountain Conservation Camp: Replace Facility	1,553,101.00
l	0890132	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Miramonte Conservation Camp: Replace Facility	2,406,526.00
m	0890133	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Warner Springs Forest Fire Station: Replace Facility	2,120,586.00
n	0890134	Department of Mental Health SPWB Lease Revenue Bonds Patton State Hospital: EB Bldg – Renovate Admission Ste, Fire Life Safety & Environ. Improvements and Seismic Retrofit, Ph II & III	2,011,468.00
o	0890135	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds California Rehabilitation Center, Norco: Replacement Phase II	1,234,571.00
p	0890140	Judicial Council of California SPWB Lease Revenue Bonds Fourth Appellate District, Santa Ana: New Courthouse	26,987,078.00

After further discussion, the Board accepted the staff recommendations and all renewal loan requests were approved, 3-0.