

POOLED MONEY INVESTMENT BOARD
915 Capitol Mall, Room 587
Sacramento, CA 95814

MINUTES

Wednesday, July 15, 2009

The meeting was called to order at 10:20 a.m.

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

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

MINUTES

The Minutes of the recently concluded July 2, 2009 meeting will be presented during the August meeting of the PMIB.

PMIB DESIGNATION

Mr. Bill Dowell of the State Treasurer's Office presented a Summary Report as of June 30, 2009. On that day, the portfolio stood at \$50.743 billion. The effective yield was 1.121%, the quarter-to-date yield was 1.513% and the year-to-date yield was 2.224%. The average life of the portfolio was 235 days. AB 55 Loans approved stood at \$6.414 billion, with \$1.231 billion having been disbursed. The Local Agency Investment Fund had deposits totaling \$25.157 billion, with 2746 participants. The Bank Balances included \$1.389 billion in demand accounts and \$17.473 billion in Negotiable Order of Withdrawal (NOW) accounts.

Designation No. 1721 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 June 1, 2009, through June 30, 2009. During the month, \$9.616 billion was declared surplus in various special funds, while \$12.184 billion was declared to be a reduction in surplus.

The Surplus Money Declaration/Reduction for the month of June, 2009 was approved, 3-0.

SURPLUS MONEY INVESTMENT FUND REQUESTS

There were no requests to join the Surplus Money Investment Fund this month.

**PURSUANT TO GOVERNMENT CODE SECTIONS 17221.5 AND 17222,
CONSIDERATION OF RESOLUTION SETTING INTEREST RATE FOR THE
ISSUANCE OF REGISTERED WARRANTS AND APPROVING CONTROLLER'S
DETERMINATION OF MATURITY DATE FOR SUCH WARRANTS**

Mr. Dowell introduced the item and explained the Resolution had been passed at the previous meeting setting the interest rate on the Registered Warrants at 3.75% and a maturity date of October 2, 2009. No action was required, but the item was on the agenda so the Board could revisit the issue, if so desired.

Mr. Tom Sheehy wanted to know what would happen if the State was unable to pay the outstanding Registered Warrants on October 2, 2009. Mr. Terry McGuire of the State Controller's Office (SCO) indicated if that should occur, the Controller would extend the maturity date until such time the warrants could be paid. Ms. Catherine Brown said that pursuant to Government Code section 17272, if money is not available on the date the registered warrant matures, the warrants are to be paid with interest at such times as the Controller determines, with the Board's approval. Mr. Rick Chivaro said this is an open issue with the SCO and contingency plans are still being finalized. He also noted all steps were being taken to assure payment of the Registered Warrants on or before the maturity date.

AB 55 LOAN APPLICATIONS (Government Code § 16312)

Ms. Julie Giordano of the State Treasurer's Office Public Finance Division presented the staff recommendations, as summarized below:

1. Loan Renewal Requests. Staff recommends approval of the 19 AB 55 loan renewal requests (Items 7.a-s) on the agenda in the amounts shown on column g of Exhibit A. The recommended amounts are for either the amount of the existing adjusted loan amount, a decrease requested by the department, or an increase necessary for the requesting department to pay accrued interest and/or costs authorized by Department of Finance's (DOF) Budget Letter 09-09.

2. New Loan Requests. Staff recommends approval of the following three new loan requests:

Item 7.t Department of Corrections and Rehabilitation, SPWB Lease Revenue Bonds, AB 900, CA Medical Facility, Vacaville: 64-Bed Intermediate Care Facility, \$3,293,000

Item 7.u Department of Corrections and Rehabilitation, SPWB Lease Revenue Bonds, AB 900, CA Medical Facility, Vacaville: Enhanced Outpatient Treatment, Program and Office Space, \$3,346,000

Item 7.v Department of Corrections and Rehabilitation, SPWB Lease Revenue Bonds, AB 900, Los Angeles County: Enhanced Outpatient Program Treatment and Office Space, \$694,000

Approval of these new loans was being recommended because they were allowable in DOF's Budget Letter 09-09 and also based on the following facts:

- On June 16, 2009, the federal court overseeing the *Coleman v. Schwarzenegger* proceedings approved the detailed activation schedules of the three AB 900 projects identified above and ordered that the projects be completed within the timeframes submitted by the State.

- On June 17, 2009, the California Supreme Court denied the Taxpayers for Improving Public Safety (TIPS) petition for review relating to the AB 900 litigation. Now that the litigation has been fully resolved in the State’s favor, it no longer presents a legal obstacle to the issuance of bonds for AB 900 related projects.

- As a prerequisite for the issuance of AB 900 bonds, DOF must receive legislative approval as well as State Public Works Board (SPWB) approval for each proposed project. All three projects have obtained legislative and SPWB approval.

3. AB 55 Loan Disbursement Freeze. Staff recommended the Board continue its freeze on disbursements for approved AB 55 loans, except for disbursements authorized by DOF’s Budget Letter 09-09.

Agenda Item	Loan Number	Department/Program	Adjusted Loan Amount
a.	0900001	California State University Kindergarten-University Public Education Facilities Bond Act of 1998	\$3,257,128.71
b.	0900002	Department of General Services Earthquake Safety and Public Building Rehabilitations 1990	\$4,749,109.83
c.	0900003	Water Resources Control Board for Resources Agency Safe, Clean, Reliable Water Supply Act of 1996	\$37,406,523.58
d.	0900004	Resources Agency Safe Drinking Water, Water Quality 2006	\$90,465,450.17
e.	0900005	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds San Luis Obispo Ranger Unit HQ: Replace Facility	\$88,159.00
f.	0900006	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Alma Helitack Base: Replace Facility	\$466,935.00
g.	0900007	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Paso Robles Forest Fire Station: Replace Facility	\$209,022.00
h.	0900008	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Las Posadas Forest Fire Station: Replace Facility	\$142,028.00
i.	0900009	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Fawn Lodge Forest Fire Station: Replace Facility	\$201,925.00

j.	0900010	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Westwood Forest Fire Station: Replace Facility	\$190,164.00
k.	0900011	Department of Education SPWB Lease Revenue Bonds School for the Deaf, Riverside: Career and Technical Education Complex and Service Yard	\$2,437,328.00
l.	0900012	Department of Education SPWB Lease Revenue Bonds School for the Deaf, Riverside: New Gymnasium and Pool Center	\$2,314,539.00
m.	0900013	Department of Education SPWB Lease Revenue Bonds School for the Deaf, Riverside: Kitchen and Dining Hall Renovation	\$640,475.00
n.	0900014	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds CCI: Tehachapi: Wastewater Treatment Plant Renovation	\$18,294,777.00
o.	0900015	Department of Developmental Services SPWB Lease Revenue Bonds Porterville: Construct New Main Kitchen	\$2,360,304.00
p.	0900016	Department of General Services SPWB Lease Revenue Bonds Library and Courts Building Renovation	\$6,052,694.00
q.	0900017	California Conservation Corps SPWB Lease Revenue Bonds Delta Service District Center	\$2,079,902.00
r.	0900018	Department of Mental Health SPWB Lease Revenue Bonds Atascadero State Hospital: 250-Bed Addition Remediation	\$6,665,000.00
s.	0900019	Judicial Council of California SPWB Lease Revenue Bonds Court of Appeal, Fourth Appellate District, Santa Ana: New Courthouse	\$27,151,522.00

t.	0900020	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds, AB 900 CA Medical Facility, Vacaville: 64-Bed Intermediate Care Facility	\$3,293,000.00
u.	0900021	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds, AB 900 CA Medical Facility, Vacaville: Enhanced Outpatient Treatment, Program and Office Space	\$3,346,000.00
v.	0900022	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds, AB 900 Los Angeles County: Enhanced Outpatient Program Treatment and Office Space	\$694,000.00

All 19 renewal loan requests, three new loan requests and continuation of the Disbursement Freeze were approved, as recommended by staff, 3-0.

Mr. Sheehy noted in light of recent changes in the financing processes and given the recent rating agency downgrades, he suggested the Board be given some indication what the State’s ability might be to issue bonds, once a budget is in place. Ms. Katie Carroll of the State Treasurer’s Office responded by acknowledging it is not known what the agencies (Moody’s, Fitch and S&P) ultimate ratings might be and that some of them actually have California on “watch” for multiple downgrades. Without a budget in place, she said the ratings could actually fall to “junk” status. However, with a viable budget in place and given the current ratings, the State could go to the marketplace and, while it may be costly, bonds could in fact be sold. Ms. Carroll concluded by saying, if the ratings ultimately do fall to “junk” status, there would be significant problems and access to the marketplace may not be possible.

PUBLIC COMMENT

None.

ADJOURNMENT

In the absence of further business, the meeting was adjourned at 10:45 AM.

Respectfully submitted,

Bettina Redway
Executive Secretary