

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

MINUTES

Wednesday, December 12, 2012

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

Roll: Francisco Lujano for State Treasurer Bill Lockyer
John Hiber for State Controller John Chiang
Todd Jerue for Director of Finance Ana J. Matosantos

Staff Present: Jeff Wurm, State Treasurer's Office
Catherine Brown, Attorney General's Office
Mark Paxson, State Treasurer's Office

MINUTES

The minutes for the November 14, 2012, meeting were approved, 3-0.

PMIB DESIGNATION

Mr. Jeff Wurm of the State Treasurer's Office presented a Portfolio Summary Report as of November 30, 2012. On that day, the portfolio stood at \$60.001 billion. The effective yield was 0.326%, the quarter-to-date yield was 0.332% and the year-to-date yield was 0.350%. The average life of the portfolio was 228 days. AB55 Loans approved were \$219 million, with a disbursed amount of \$131 million. The Local Agency Investment Fund had \$19.653 billion total deposits, with 2,673 total participants.

Ms. Kristin Szakaly-Moore of the State Treasurer's Office Centralized Treasury and Securities Management Division presented a summary of forecasted revenue changes in the portfolio for the Pooled Money Investment Account (PMIA) for the period December 10, 2012 through February 22, 2013. Anticipated receipts for this ten-week period total \$54.598 billion. Ms. Szakaly-Moore highlighted the key receipts.

Mr. Travis White of the State Controller's Office, Cash Management Bureau and Division of Account and Reporting continued the presentation. Mr. White highlighted the major disbursements anticipated for the reporting period of December 10, 2012 through February 22, 2013. Anticipated disbursements for the ten-week period total \$45.424 billion.

Designation No. 1762 was approved, 3-0.

AUTHORIZATION FOR GENERAL FUND INTERNAL BORROWING

Mr. Wurm presented this document, which authorizes the General Fund to borrow from internal sources to meet its cash needs during periods of shortfall. The Authorization for General Fund Internal Borrowing for the period January 1, 2013, through March 31, 2013, in the amount of up to \$21.967 billion, was approved, 3-0.

DECLARATION OF SURPLUS MONEY/REDUCTION OF SURPLUS MONEY

Mr. Jeff Wurm presented the changes in the Surplus Money Investment Fund for the period November 1, 2012, through November 30, 2012. Declaration of Surplus Money was in the amount of \$10.572 billion. A reduction in Surplus Money was in the amount of \$12.447 billion. An attached list from the State Controller's office shows the breakdown. The Surplus Money Declaration/Reduction for the month of November was approved, 3-0.

SURPLUS MONEY INVESTMENT FUND REQUEST (SMIF)

Mr. Wurm presented three SMIF requests to participate in the Surplus Money Investment Fund--

Air Resources Board request:

Greenhouse Gas Reduction Fund, Fund Number 3228

Cost of Implementation Account, Air Pollution Control Fund, Fund Number 3237

Department of Justice request:

Secondhand Dealer and Pawnbroker Fund, Fund Number 3240

California Health Facilities Financing Authority request:

California Health Access Model Program Account, Fund Number 8073

The Board accepted the staff recommendations of the State Controller's Office and the State Treasurer's Office approving the request, 3-0

ARRANGEMENTS WITH BANKS - - INFORMATION ITEM

Mr. Mark Hariri, Director of the State Treasurer's Office, Centralized Treasury and Securities Management Division presented this information item and reported the following:

Mr. Hariri noted that the department maintains accounts with eight depository banks: Bank of America, Citibank, Wells Fargo Bank, Bank of the West, Union Bank, U. S. Bank, WestAmerica Bank, and JPMorgan Chase Bank.

The cost of banking services provided by all the banks during fiscal year 2011-12 was around \$8.0 million which represents a savings of more than \$3.3 million in comparison with the banking cost of fiscal year of 2008/2009. The bulk of the savings is attributable to a reduced volume of certain transactions, namely Controllers warrants, as well as the result of negotiated fees and the elimination of certain other fees which combined contributed to a significant reduction of cost. Mr. Hariri reported that savings should continue as more agencies convert to an electronic process and more agencies continue to collect revenue and various fees electronically. Bank compensation is based on an estimated workload for each fiscal year with adjustments provided up or down which are then applied to each bank over the remaining months of the fiscal year or over a shorter period in the coming fiscal year as requested by each financial institution.

No new service charges or fees are being proposed for fiscal year 2012-2013, plus a number of fees were reduced last year. Mr. Hariri also explained that the Remote Site Deposit Program (RSD) that was implemented last year allowing agencies to deposit checks via desktop scanners or larger scanners for high volume agencies. The depository banks will provide to each of the existing agencies a couple

of scanners per location free of charge including monthly support and maintenance. Over sixteen agencies participate in this program plus there are others in exploration or implementation stage.

The second program, Image Cash Letter Program (ICL) is also underway. This program allows participating agencies to convert the paper processing of checks to an electronic check image system, which in turn allows exchanging electronic cash letters with clearing banks. The Department of Child Support fully and successfully implemented their program last February. In October the Franchise Tax Board implemented the individual tax program and anticipates implementing the business tax program by the end of January 2014. The Board of Equalization expects full implementation by end of January 2013. The Employment Development Department and the Motor Vehicles Departments are projected to implement their ICL program by September 2013, which is a delay from their initial projected goal for December 2012 implementation. The delay was caused by adjusted priorities and scheduling conflicts. When fully implemented this program will allow immediate fundability and negotiation of lower fees with the banks. It is also expected to reduce certain banking costs by about half. Mr. Hariri stated that he hopes to report even greater savings of banking fees to the Board next year.

Mr. Hiber expressed appreciation of the successful Remote Site Deposit Program. He added that the Unclaimed Property department recently began using this program and they've reported only positive results. Mr. Hariri responded with thanks to his comments adding that among the many benefits of the RSD program is providing safety to its employees, plus saving time, and receiving credit more quickly.

AB55 LOAN PROGRAM (Government Code § 16312)

Mr. Phil Osborn with the State Treasurer's Office presented the PMIA loans monthly report. As of November 30, 2012 outstanding AB55 loans is \$218,641,040.72.

Staff recommended approval for the three loan renewal requests, Items 8-a through 8-c on the December 12, 2012 agenda in the amounts shown on column F of Exhibit A of the Staff Report. Item 8-a reflects an increase necessary to complete construction of the project, as well as to pay accrued interest and administrative costs. Items 8-b. and 8-c. are increases necessary to pay accrued interest and administrative costs only. All three new loan requests are in compliance with loan requirements of current AB55 Loan Policy.

	<u>PMIB Loan No.</u>	<u>Department</u>	<u>Amount</u>
a.	1230012	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds Madera County Jail Expansion Project	\$27,970,000.00
b.	1230013	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Intermountain Conservation Camp: Replace Facility	1,095,000.00
c.	1230014	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Miramonte Conservation Camp: Replace Facility	2,495,000.00

The Board accepted staff recommendations and approved the three new loan requests, 3-0.

PUBLIC COMMENT

None.

ADJOURNMENT

In the absence of further business, the meeting was adjourned at 10:20 a.m.

Respectfully submitted,

Bettina Redway
Executive Secretary