

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

**MINUTES**

Wednesday, December 10, 2014

The meeting was called to order at 10:05 a.m.

Roll: Bill Dowell for State Treasurer Bill Lockyer  
Richard Chivaro for State Controller John Chiang  
Eraina Ortega for Director of Finance Michael Cohen

Staff Present: Jeff Wurm, State Treasurer's Office  
Julia Bilaver, Attorney General's Office  
Mark Paxson, State Treasurer's Office

**MINUTES**

The minutes for the November 19, 2014, 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, 2014. On that day, the portfolio stood at \$59.831 billion. The effective yield was 0.260%, the quarter-to-date yield was 0.261% and the year-to-date yield was 0.254%. The average life of the portfolio was 191 days. AB55 Loans approved were \$248 million, with a disbursed amount of \$115 million. The Local Agency Investment Fund had \$18.836 billion total deposits, with 2,520 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 8, 2014 through February 20, 2015. Anticipated receipts for this eleven-week period total \$60.185 billion. Ms. Szakaly-Moore highlighted the key receipts.

Mr. Steven Koehler of the State Controller's Office, Cash Management Bureau and Division of Account and Reporting continued the presentation. Mr. Kapinski highlighted the major disbursements anticipated for the reporting period of December 8, 2014 through February 20, 2015. Projected disbursements for the eleven-week period total \$47.590 billion.

Designation No. 1786 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, 2015 through March 31, 2015, in the amount of up to \$24.975 billion, was approved, 3-0.

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

Mr. Wurm presented the changes in the Surplus Money Investment Fund for the period November 1, 2014 through November 30, 2014. Declaration of Surplus Money was in the amount of \$11.735 billion. A reduction in Surplus Money was in the amount of \$8.430 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)**

There were no SMIF requests for this month.

## **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 reported on the annual cost of banking services provided by all depository banks. Last year the cost of all banking services provided by the eight depository banks was around \$6.95M. This represented significant savings of \$4.3M or 38% in comparison with fiscal year 2008/09. The savings are the product of implementing various electronic processes as well as negotiating lower fees with our state depositories. As of today, about 40 agencies are using the remote site deposit and image cash letter programs and about 17 agencies are using the electronic fund transfer program. The STO is continuing to market these programs in cooperation with the depository banks. Additionally, the STO has changed the methodology which has been in place over the past 60+ years where we would forecast the workload on an annual basis with adjustments made in the subsequent year. This added complexity to an already complex process. Last year the STO changed the process and began to compensate the banks on a monthly basis based on the actual workload in the prior month, two months in arrears. This was received very well by the depository banks as a simplified process.

Mr. Hariri then commented on the award of the Miscellaneous-Sort contract under which the major revenue collecting agencies are required to pre-sort their checks by the bank on which they are drawn and anything which does not belong to one of the eight depository banks is treated as miscellaneous and subject to float or bidding process. Smaller banks are taking advantage of the fact that larger banks are being supervised heavily and are pressured to shrink their business. One of the smaller banks, Bank of the West, gave the STO a very aggressive bid of "zero-day float" meaning that all items that cannot be collected the same day will receive full credit. In fact they will be extending free credit on a daily basis, which will be a tremendous benefit to the State. Bank of the West also bid \$.01 per item in comparison with the \$.03 to \$.08 that the STO has been paying on these deposits with other banks. The STO should see the benefit of the contract by the end of the current fiscal year.

Mr. Hariri ended his presentation by formally expressing his gratitude to the administration of Treasurer Lockyer. Mr. Hariri stated that without Treasurer Lockyer's support and that of Chief Deputy Treasurer Steve Coony, the STO would not have been able to implement many of the successful programs that have transformed the State of California in how it collects and processes revenue. Their unconditional support and encouragement allowed the STO to succeed in how it dealt with the banks, how it negotiated with the depository banks, and how the STO implemented these programs successfully across state government.

Mr. Chivaro asked for a listing of the eight depository banks. Mr. Hariri said the depository banks are: Bank of America, JPMorgan/Chase Bank, Citibank, U.S. Bank, Union Bank, Bank of the West, WestAmerica Bank, and Wells Fargo Bank.

**AB55 LOAN PROGRAM (Government Code § 16312)**

Ms. Tiffany Connelly with the Public Finance Division of the State Treasurer’s Office presented the PMIA loans monthly report. Staff recommended approval of the four loan renewal requests (Items 8.a – 8.d) on the agenda in the amounts shown on column f of Exhibit A to this staff report. Items 8.a – 8.c reflect increases necessary to pay accrued interest and administrative costs. Item 8.d reflects an increase necessary to complete construction, as well as to pay accrued interest and administrative costs.

Staff also recommended approval of the following new loan request (Item 8.e) for the Department of Corrections and Rehabilitation, Kern County Jail Project in the amount shown below. The five loan requests are in compliance with the current AB55 loan policy.

**RENEWAL REQUESTS**

	<u>PMIB Loan No.</u>	<u>Department</u>	<u>Amount</u>
a.	1450014	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds Ishi Conservation Camp: Replace Facility	\$1,418,000.00
b.	1450015	Department of Forestry and Fire Protection SPWB Lease Revenue Bonds South Operations Area Headquarters: Relocate Facility	\$1,355,000.00
c.	1450016	Department of State Hospitals SPWB Lease Revenue Bonds Patton State Hospital: Construct New Main Kitchen	1,136,000.00
d.	1450017	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds Claybank Adult Detention Facility	61,660,000.00

#### NEW LOAN REQUESTS

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|----|---------|--|---------------|
| e. | 1450018 | Department of Corrections and Rehabilitation<br>SPWB Lease Revenue Bonds<br>Kern County Jail Project | 35,005,000.00 |
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The Board accepted staff recommendations and approved the four renewal loans plus the one new loan request, 3-0.

#### PUBLIC COMMENT

At the request of Treasurer Lockyer, Mr. Bill Dowell conveyed his thanks to the members of the investment board, in particular Mr. Michael Cohen, and Ms. Eraina Ortega who has represented him over the past couple of years, along with Mr. John Chiang and Mr. Rick Chivaro. Included in his thanks were Jeff Wurm and Ella McDowell of the administrative support staff. He expressed appreciation to Ms. Julia Bilaver for attending this week; and Ms. Catherine Brown who often attends as representative of the Attorney General's Office, adding the PMIB has received extraordinarily good support from the Attorney General's office.

#### ADJOURNMENT

In the absence of further business, the meeting was adjourned at 10:30 a.m.

Respectfully submitted,

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Bettina Redway  
Executive Secretary