

**LOCAL INVESTMENT ADVISORY BOARD
915 Capitol Mall, Room 110
Sacramento, CA 95814**

**Minutes
October 5, 2005**

Director of Investments Daniel Dowell, acting as Chairperson for State Treasurer Phil Angelides, called the Local Investment Advisory Board (LIAB) meeting to order at 1:30 p.m. on Wednesday, October 5, 2005.

AGENDA ITEM 1: Roll Call

LIAB members present were, Leslie Wells, Byron Scordelis, and Daniel Dowell representing State Treasurer Phil Angelides. A quorum was present. The State Treasurer's Office staff in attendance was Deputy Treasurer Dennis Trujillo, Christine Solich, Eileen Park, and Diann Theis. Mr. Dowell introduced Mr. Trujillo, the Treasurer's newly appointed LIAB Executive Secretary, to the Board.

AGENDA ITEM 2.A: Approval of the Minutes

The minutes for the June 1, 2005, meeting of the LIAB were approved as submitted with a motion by Mr. Wells and seconded by Mr. Dowell. The motion passed with Mr. Scordelis abstaining.

AGENDA ITEM NO. 3.A: 2005 LAIF Annual Conference.

Ms. Park reported on the 2005 Annual LAIF Conference to be conducted on Thursday, October 6, 2005, at the Sacramento Convention Center and the post conference tour to be held on Friday, October 7, 2005, in the State Treasurer's Office.

Ms. Park stated as of October 1, 2005, there were 106 registered attendees for the conference from 47 districts, 41 cities and 9 counties. Approximately 55 percent are first-time attendees. Several banking representatives are attending the conference. Most provide financial services to the State Treasurer's Office and to the LAIF program.

Ms. Park reported that there were 28 people registered for the post conference tour. The tour will include observing the cash trading of approximately \$1.0 billion.

Ms. Park stated that the conference program would include an economic outlook by Dr. Maury Harris; an overview of LAIF program and PMIA goals by Director Dan Dowell and Assistant Director Christine Solich, an update of the State's budget and its impact by Marianne O'Malley from the Legislative Analyst's office. Treasurer Phil Angelides is the keynote luncheon speaker. The conference will end with a panel on the Government Sponsored Enterprises (GSEs), specifically issues regarding Freddie Mac and Fannie Mae. The conference will end with concurrent sessions where attendees can get legislative updates or seek technical assistance or information about LAIF operations and PMIA investments.

Ms. Park discussed the roles and responsibilities of the Board members during the conference. In response to post conference evaluations, the 2005 conference will provide an opportunity for attendees to spend time with State Treasurer's Office officials and learn more about the programs and functions of their divisions. Each lunch table will feature a State Treasury official with a specialized function or program, (i.e. educational facilities financing, state debt issuance, investment policy and development, time deposit program). Attendees can use the lunch period to ask questions and learn about the programs available through the State Treasurer's Office.

Board members discussed the networking opportunity during the lunch period and their responsibilities during the conference.

Mr. Dowell announced for the record that Mr. Branson has joined the LIAB meeting at 1:40 p.m.

AGENDA ITEM 4: Overview LAIF Operations and PMIA Performance

PMIA Performance

Ms. Solich reported on the performance and operations of the PMIA. The PMIA fund totaled \$52.2 billion as of September 30, 2005. The average life of the portfolio was 167 days. The daily rate was 3.38 percent, the quarter-to-date rate was 3.19 percent and the year-to-date rate was 3.19 percent. The LAIF apportionment rate for the quarter ending September 30, 2005 was 3.18 percent. She stated that the Pool has been following the interest rates up as the Federal Reserve has continued to increase short-term interest rates over the last couple years.

Ms. Solich reported on significant portfolio events. She stated that approximately \$3.0 billion in proceeds from the State's Revenue Anticipation Note (RAN) will come into the portfolio on November 10, 2005. These monies will be invested out through June 30, 2006, the maturity date of the RANs. These proceeds and regular cash flows into the Central Treasury System will be invested to cash flow dates and will take advantage of anticipated Fed interest rate movements in the next few months. This large cash infusion and the ability to ladder up with interest rate increases will benefit the PMIA and the LAIF programs.

Ms. Solich reported that the Investment Division was in the process of recruiting two Treasury Program Managers to replace Mr. Doug Spittler, who took the Assistant Director position in Cash Management Division, and Ms. Donna Lucas, who retired.

Board members discussed the PMIA investment strategies, the composition of the portfolio and other portfolio related issues.

Ms. Solich stated that many of the Board members' questions about the portfolio will be covered during the LAIF Conference.

LAIF Operations

Ms. Park provided information about the LAIF operations. She reported that LAIF deposits totaled approximately \$16.4 billion, accounting for about one-third of the total \$52 billion pool.

Ms. Park reported that she presented an overview of LAIF to new treasurers at the California Municipal Treasurer's Association (CMTA) beginning workshop at Cal Poly Pomona. She also stated that Mr. Dowell and she have already committed to making a presentation about LAIF and PMIA investments at the 2006 Annual Conference in Monterey.

Mr. Wells stated that he attended and provided information about LAIF to the City of Irvine's Investment Committee.

AGENDA ITEM 5: Public Comment

There was no public comment for this meeting.

AGENDA ITEM 6: Other Business

There was no other business at this meeting.

AGENDA ITEM 7: Adjournment

They're being no further business; the meeting was adjourned at 2:36 p.m.