

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

**Minutes  
May 9, 2007**

State Treasurer Bill Lockyer, Chairperson called the Local Investment Advisory Board (LIAB) meeting to order at 1:30 p.m. on Wednesday, May 9, 2007.

**AGENDA ITEM 1: Roll Call**

LIAB members present were Russ Branson, Martin Krieger, Beth Renge, Leslie Wells, and State Treasurer Bill Lockyer. A quorum was present. The State Treasurer's Office staff in attendance was Deputy Treasurer and LIAB Executive Secretary Patricia Wynne, Dan Dowell, Christine Solich, Pam Milliron, Sean Collier and Diann Theis. Treasurer Lockyer welcomed Beth Renge as a new Board member.

**AGENDA ITEM 2.A: Approval of the November 29, 2006, Minutes**

The minutes for the November 29, 2006, meeting of the LIAB were approved as submitted with a motion by Treasurer Lockyer and seconded by Mr. Wells. The motion passed unanimously.

**AGENDA ITEM 2.B: Quasi-Governmental Agency Application: Avalon Medical Development Corporation dba Catalina Island Medical Center**

Ms. Milliron presented the Avalon Medical Development Corporation dba Catalina Island Medical Center as a qualified quasi-governmental agency seeking to invest its funds in the Local Agency Investment Fund (LAIF) program.

Government Code section 16429.1 (c) provides that "an officer of a qualified quasi-governmental agency, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in LAIF for the purpose of investment purposes."

Government Code 16429.1 (g) states that the "Local Investment Advisory Board shall determine those quasi-governmental agencies which qualify to participate in LAIF."

Ms. Milliron stated that the LAIF program was created by statute for the benefit of California Local Agencies.

The LAIF staff, in consultation with legal counsel, uses seven factors to determine if the agency that wishes to participate in LAIF, qualifies as a quasi-governmental agency. All seven determining factors were in the packets provided to the board.

Ms. Milliron stated that generally not all determining factors are required to be met but the program feels that: 1. It is essential that there is a public purpose for the agency through a provision of law, charter, documents, or indentures. 2. There is public control over management and operations. 3. There is public oversight and a process of review for future amendments to their by-laws, officers and other businesses of the agency.

The analysis concluded that the Avalon Medical Development Corporation dba Catalina Island Medical Center is recognized as a governmental entity through provisions of law, charter documents or indenture. The City of Avalon formed the Avalon Medical Development Corporation as a non-profit entity which serves a public purpose by operating and managing a public hospital. Net assets of the corporation are not irrevocably dedicated to a political sub-division and the City Council does not have to approve changes to the by-laws or appoint officers. Overall the seven factors have been satisfied.

Ms. Milliron stated that based on the review and analysis of documents and information provided, the LAIF staff respectfully recommended that the board approve Avalon Medical Development Corporation dba Catalina Island Medical Center as a qualified quasi-governmental agency to be allowed to make deposits into LAIF for investment purposes.

Treasurer Lockyer asked when the last time an agency was turned down from joining LAIF.

Mr. Dowell stated that participation has been denied to entities in the past during the review process, therefore never being presented to the Board for approval.

Mr. Branson asked how many quasi-governmental agencies participate in LAIF.

Ms. Milliron stated that LAIF staff were researching the number of quasi-governmental agencies in LAIF and would have the total at a later date.

Mr. Wells moved to adopt the Avalon Medical Development Corporation as a quasi-governmental agency to allow them to participate in LAIF.

Mr. Krieger seconded the motion and the agency was accepted unanimously.

**AGENDA ITEM NO. 3.A: Evaluation of 2006 Annual LAIF Conference.**

Ms. Milliron introduced Sean Collier as the Conference Coordinator.

Mr. Collier gave a summary of the 2006 Annual LAIF Conference. He presented the agenda speakers and also the subjects covered at the conference on November 30, 2006. Treasurer Angelides was the keynote speaker at the luncheon. There was also a roundtable panel consisting of Investment Division Managers and LAIF staff providing technical assistance for the attendees.

Mr. Collier gave the evaluation of the Conference. There were 103 participants representing 79 local agencies. The post-conference tour was attended by 26 people who enjoyed the experience of viewing the investment trading process and the opportunity to ask questions about PMIA/LAIF operations.

Mr. Collier indicated that many of the conference attendees stated on their evaluation forms that they enjoyed the economic outlook presentation by Maria Ramirez. The networking luncheon was also a favorite for many attendees. It gave them a chance to learn about different programs and functions in the State Treasurer's Office.

Ms. Milliron stated that overall the conference was successful in achieving its goals and informing the local agencies how their funds are invested with the LAIF program and how their future deposits will be invested. Overall, feedback was positive and included other issues the attendees would like to see presented at future conferences.

### **AGENDA ITEM 3.B: Planning 2007 Annual LAIF Conference**

Mr. Lockyer stated that the next conference was on the calendar for October 11, 2007 and asked what was planned for the conference.

Ms. Milliron stated that the conference evaluations noted that the attendees would like to have a session on cash flow analysis and cash management. Also for those that use outside brokers they would like to have a session on evaluating the different types of investment securities that can be purchased.

Ms. Renge asked if there could be more information on the webpage about the up coming Conference.

Mr. Collier stated that there was basic information on the website now but more information would be posted as it gets closer to the conference date.

Ms. Milliron presented ideas for the next conference including possible speakers to include Treasurer Lockyer as the keynote speaker at the luncheon.

Mr. Dowell presented an outline of his presentation for the upcoming conference. He indicated that he would present investment basics, including limits and choices of investments. He would also address cash management and cash flow as it relates to investing.

## **AGENDA ITEM 4: Overview LAIF Operations and PMIA Performance**

### **PMIA Performance**

Ms. Solich welcomed the new LAIF Administrator Pam Milliron and also the new Board member Beth Renge.

Ms. Solich reported that the total PMIA fund was \$63 billion, a considerable increase since the board meeting last fall when it was \$54 billion, mainly due to tax revenues received this spring. The LAIF deposits were up \$3 billion since the beginning of the year, a statement that the agencies find value in the fund. The daily rate was at 5.24%, quarter to date rate was 5.23% and the year to date rate was 5.10%. The average life of the portfolio was 170 days.

Ms. Solich indicated that the Fed had met earlier and kept the Fed Funds Rate target at 5.25% and she read the Federal Open Market Committee (FOMC) statement for the benefit of the advisory board.

Ms. Solich also announced that the California Annual Financial Report (CAFR) had recently been released by the State Controllers office for the fiscal year 05/06.

### **LAIF Operations**

Ms. Milliron presented the LAIF operations report. She stated there have been two apportionment rate periods since the last LIAB meeting in November 2006. The quarter ending December 31, 2006, was 5.11% with administrative costs of .21% of earnings. The quarter ending March 31, 2007, was 5.17% with administrative costs at .17% of earnings. As of March 31, 2007 there were 2,606 participants in LAIF. LAIF is benefiting from increased revenues at the state and local levels. As of close of window today, May 9, 2007, LAIF deposits totaled \$19,703,456,070.96.

Ms. Milliron stated that the development of the online monthly statements was continuing with the IT staff and hoped the statements would be available in the next few months. She also indicated that the Treasurer has approved Citibank N.A. as the seventh depository bank and the anticipated start date was July 1, 2007. The LAIF agencies will be notified 30 days prior to the change.

Ms. Milliron, Mr. Dowell and Ms. Solich attended the California Municipal Treasurer's Association Annual Conference in Long Beach the week prior where Treasurer Lockyer was a keynote speaker. Ms. Milliron indicated she would be attending the Annual Conference of California Association of County Treasurer's and Tax Collectors in June, 2007.

Mr. Krieger commented on how quickly the LAIF performance information is now being updated on the Treasurer's website.

Mr. Lockyer asked if there was a way to improve the performance of the portfolio.

Mr. Dowell responded that the portfolio's primary function is as a cash management tool, first and foremost. The investment decisions made are dictated by the need and flow of funds and that part of getting the maximum return is being able to plan your investments. He presented an example when last May and June we saw a peak in the intermediate rates and wanted to take advantage of it by investing in the two to three year area. However, the funds were needed for compensating balances for the depository banks to maintain contractual funding levels. He indicated that this was an example of where we could have used the money to increase yield but did not have it available for investment.

Mr. Dowell believes the fund was at its maximum performance for a prudent investor.

**AGENDA ITEM 5: Public Comment**

There was no public comment for this meeting.

**AGENDA ITEM 6: Other Business**

**AGENDA ITEM 7: Adjournment**

There being no further business; the meeting was adjourned at 2:16 p.m.