

**LOCAL INVESTMENT ADVISORY BOARD**

**915 Capitol Mall, Room 110**

**Sacramento, CA 95814**

**Minutes**

**February 19, 2020**

Treasurer Ma called the meeting to order at 1:40 p.m.

**1. Roll Call**

**Members Present:**

State Treasurer, Fiona Ma

Walter Hall

Sung Hyun (via telephone)

Amy Lee

Rafi Manoukian

**Staff Present:**

Spencer Walker, Senior Attorney

Kristin Szakaly-Moore, Director of Investments

Jeff Wurm, Assistant Director of Investments

Christina Sarron, LAIF Administrator

Jaya Naidu, Associate Treasury Program Officer

Laurianne Blanco, Staff Services Analyst

Nicole Mah, Staff Services Analyst

**2. Review of Unapproved Minutes from November 13, 2019 Meeting.**

- Staff presented the minutes to the Board for approval.
- Board Member Manoukian made a motion to approve the minutes.
- Board Member Lee expressed concerns regarding the minutes. She requested that the minutes reflect the discussion held at the last board meeting in more detail. Mr. Wurm explained that since the discussion was so broad the staff summarized the minutes and the detailed information was not included. The Board requested that the staff add a more detailed summary of the discussion to the minutes. Ms. Naidu stated she would insert additional detail to the minutes and present the revised minutes at the next board meeting.
- Board Member Manoukian withdrew his motion to approve the minutes.

- The Board tabled the matter until the next board meeting.

### **3. Application for participation in LAIF by Quasi-Governmental Agency**

- Ms. Sarron introduced the new Quasi-Governmental Agency (QGA) Assessment form and the new form as applied to the two entities applying to the LAIF program as QGAs, Cal Poly Pomona Philanthropic Foundation and the Delta Community Developers Corporation. Mr. Walker explained the steps he took to revise the QGA assessment form in meeting with Treasurer Ma and Deputy Treasurer Tim Schaefer. In addition, Mr. Walker stated that his recommendation was that a QGA applying be able to receive all yes answers on the new assessment form in order to qualify as a QGA LAIF Participant. Board Member Lee requested an additional question to add to the assessment form regarding an estimate on how much the entity will be depositing.
- Ms. Sarron explained that once the Board approves the QGA assessment form, LAIF intends to run the assessment for all current QGA LAIF Participants.
- Treasurer Ma asked what the advantages to expanding to include more participants. Mr. Wurm responded that there are no advantages or disadvantages other than fulfilling a mandate. Treasurer Ma explained her thinking that non-profits are not transparent.
- Board Member Lee requested that we separately add the review and approval of the QGA Assessment form to the agenda.
- The Board reviewed the form as completed for Cal Poly Pomona Philanthropic Foundation (CPPPF), tabled from the previous board meeting. It was determined that CPPPF be presented again with supporting documentation as requested. Staff presented a second QGA applicant, Delta Community Developers Corporation, which included supporting documentation as well.
- Ms. Sarron presented the new qualification questions created by Mr. Walker. She further explained that the staff would not be providing a recommendation going forward. LAIF staff will provide all research to the board for a decision. Mr. Walker explained his new format. Board Member Lee stated she was very pleased with the questions and the summary. She inquired if staff could add a new question requesting agencies disclose their deposit amounts.
- Ms. Sarron stated that at the previous meeting the Board wanted to evaluate the current QGA LAIF Participants. She presented a list of QGA's participating and ones that the Board previously denied.
- Treasurer Ma asked if there was a benefit to serving the QGA's. She further explained how a non-profit agency has to be audited yearly for transparency and LAIF wants to be as transparent as possible. She asked if there was no benefit to serving the QGA's why we are still accepting them. Ms. Sarron explained that the legislation allows for their inclusion, but at the approval of the LIAB.
- Board Member Lee asked for the review of added questions as an agenda item with the new applications. She explained she prefers to serve the current agencies already invested in LAIF instead of accepting new applicants that are not transparent as an exception. She also asked if the staff could still do a recommendation so the Board can use that in their

decision-making. Ms. Sarron stated that the legislation specifically states that the Board does the approvals so she would not be doing any recommendations.

- Board Member Hyun stated since there are no benefits to LAIF we should not allow the QGA's into LAIF.
- Mr. Walker clarified, according to the statute, even if an agency qualifies as a QGA, it is up to the Boards' discretion to accept or reject them. He also mentioned not knowing how previous Boards had approved the current QGA's LAIF Participants.
- Board Member Manoukian suggested that an agency should disclose their funding source.
- Board Member Lee stated we should focus on raising cap, increasing valuation, automate/improve processes instead of QGA's.
- Ms. Szakaly-Moore asked if the board wanted to eliminate donations as a funding source. Mr. Wurm stated it would be really difficult to monitor funding sources. It was further discussed to add a question that would ask the agency if they accepted public donations, which would disqualify them if the answer was yes.
- The application of Cal Poly Pomona Philanthropic Foundation was not passed due to not meeting the new qualifications criteria by the following vote:

|                |     |
|----------------|-----|
| Treasurer Ma   | Aye |
| Walter Hall    | Aye |
| Sung Hyun      | Aye |
| Amy Lee        | Aye |
| Rafi Manoukian | Aye |

- The Board tabled the application for Delta Community Developers Corporation. The Board requested additional questions to be added to the qualifications criteria. The information will be provided during the next board meeting.
- All members agreed to add more questions to the QGA form before coming back to finalize it.

#### **4. 2020 LAIF Conference Discussion**

Staff Member Blanco provided LAIF Conference feedback and options for the 2020 Conference including praise for the economist, possibly ending the conference earlier, and providing handouts. Treasurer Ma inquired with Board Member Hyun to confirm the new location in Buena Park. Board Member Hyun mentioned, the October 14, 2020 conflicted with another event, however he will inquiry and verify that the conference can be held in Buena Park. Treasurer Ma stated if that location may not work, the conference can be held in Burbank or Glendale, California. Treasurer Ma confirmed the board meeting will be held the day before the conference with the welcome reception.

#### **5. Overview of PMIA Performance and LAIF Operations:**

Mr. Wurm reported for the PMIA as of September 30, 2019.

- PMIA was 88.826 billion
- The daily rate was 2.02 %
- The quarter to date rate was 2.11%

- The year to date rate was 2.27%
- The average life of the portfolio was 226 days.

Ms. Sarron reported on LAIF Operations:

- The quarterly apportionment rate for the quarter ending December 31, 2019 was 2.29% with the administrative costs equaling 0.35% of earnings.
- As of December 31, 2019, there were 2,362 participants in LAIF. The total Participants included: 1,585 Special Districts, 54 Counties, 475 Cities, 187 Trustees Accounts and 61 Bond Accounts.
- LAIF was approximately 28.19% of the PMIA.
- LAIF Online had 552 agencies registered and averaged 45 online transactions per day or 45% of the total daily transactions.
- Treasurer Ma asked about the approved Commercial Paper list, Mr. Wurm responded.
- Board Member Manoukian asked about raising the cap again.
- LAIF Online security incident was discussed.

## **6. Public Comment**

Treasurer Ma confirmed there was no further public comment.

## **7. Adjournment**

There being no further business, public comments, or concerns, the meeting adjourned at 2:50 p.m.

**Respectfully submitted,**

(Originally signed by)

Christina Sarron  
LAIF Administrator