

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

**MINUTES**

Wednesday, December 16, 2015

The meeting was called to order at 10:02 a.m.

Roll: Tim Schaefer for State Treasurer John Chiang  
Eraina Ortega for Director of Finance Michael Cohen

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

Richard Chivaro, representing State Controller Betty T. Yee, joined the meeting at 10:06 a.m.

**MINUTES**

Ms. Ortega moved to approve the minutes for the November 18, 2015 meeting. Upon a second by Mr. Schaefer: the motion passed 2-0 with the following votes: Mr. Schaefer: yes; Ms. Ortega: yes.

**PMIB DESIGNATION**

Ms. Tranice Rainey of the State Treasurer's Office presented a Portfolio Summary Report as of November 30, 2015. On that day, the portfolio stood at \$64.827 billion. The effective yield was 0.373%, the quarter-to-date yield was 0.365% and the year-to-date yield was 0.343%. The average life of the portfolio was 183 days. AB55 Loans approved were \$368 million, with a disbursed amount of \$112 million. The Local Agency Investment Fund had \$19.353 billion total deposits, with 2,474 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 14, 2015 through February 19, 2016. Anticipated receipts for this ten-week period total \$65.478 billion. Ms. Szakaly-Moore highlighted the key receipts.

Ms. Teresa Gonzalez of the State Controller's Office, Cash Management Bureau and Division of Accounting and Reporting continued the presentation. Ms. Gonzalez highlighted the major disbursements anticipated for the reporting period of December 14, 2015 through February 19, 2016. Projected disbursements for the ten-week period total \$57.326 billion.

Mr. Chivaro moved to approve Designation No. 1798. Upon a second by Ms. Ortega, the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

## **AUTHORIZATION FOR GENERAL FUND INTERNAL BORROWING**

Ms. Rainey 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 is for the period January 1, 2016 through March 31, 2016, in the amount of up to \$31.572 billion.

Mr. Chivaro moved to approve the Authorization for General Fund Internal Borrowing. Upon a second by Ms. Ortega the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

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

Ms. Rainey presented the changes in the Surplus Money Investment Fund for the period November 1, 2015 through November 30, 2015. Declaration of Surplus Money was in the amount of \$10.381 billion. A reduction in Surplus Money was in the amount of \$9.195 billion. An attached list from the State Controller's office showed the breakdown.

Ms. Ortega moved to approve the Surplus Money Declaration/Reduction for the month of November. Upon a second by Mr. Chivaro, the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

## **SURPLUS MONEY INVESTMENT FUND REQUEST (SMIF)**

Ms. Rainey presented the one request to participate in the Surplus Money Investment Fund for:

California Energy Commission  
Appliance Efficiency Enforcement Subaccount  
Energy Resources Programs Account  
Fund Number 3205-000

Mr. Chivaro moved to approve the SMIF request to participate. Upon a second by Ms. Ortega, the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

## **COMMERCIAL PAPER ISSUERS**

Mr. Jeff Wurm of the State Treasurer's Office Investments Division presented four new Commercial Paper Issuers for approval, two of which will be eligible as issuers given changes to the STO Investment Policy and Government Code as of January 1, 2016. Bank of Tokyo-Mitsubishi and Bank of Nova Scotia are both highly rated banks in which the PMIA has invested before. Approval was sought to begin purchase of their commercial paper program effective January 1, 2016.

Liberty Street Funding LLC, and General Electric Capital Treasury Services, LLC, the latter of which is a newly created program, have commercial paper programs that can be invested in under current STO Investment Policy and Government Code requirements. Mr. Wurm noted both are highly rated

programs. The Investment Division requested authorization to begin investing with them effective December 17, 2015. He reiterated that all four programs have received strong ratings from the national rating agencies.

Mr. Chivaro moved to approve the proposed four commercial paper issuers. Upon a second by Ms. Ortega, the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

## **ARRANGEMENTS WITH DEPOSITORY BANKS -- INFORMATION ITEM**

Mr. Mark Hariri, Director of the State Treasurer's Office, Centralized Treasury and Securities Management Division, presented this information item. He noted that the purpose of the presentation is to report to the board on an annual basis the cost of banking services for all state depositories, as well as on any new products, fees or services. The Treasurer maintains demand accounts with eight financial institutions including the largest banks in the nation.

The table attached to his report shows the cost of banking services which continues to decline as a result of efficiencies, automation as well as electronic collection and processing of state revenue. For the past eight-years the cost of banking services has declined by almost 43% and is expected to continue to decline as a result of increased use of remote site deposits together with negotiating lower fees, and the recent award of the EFT contract to Union Bank is projected to result in an annual savings of over one-quarter of a million dollars.

In October the STO held its annual bank meeting with one notable difference. Instead of individual meetings with each bank, as has been done for 60 years, and following Deputy Treasurer Mr. Tim Schaefer's direction, one meeting was held which included all state depositories. The meeting was intended to serve as a listening session given the many common concerns that are shared by all the banks. The meeting was very productive and was favorably received by all of the banks.

Mr. Hariri noted that the Federal Reserve Bank/Federal Open Market Committee (FRB/FOMC) was meeting on December 16<sup>th</sup>, to discuss the long anticipated decision to begin the first of a series of interest rate increases. The Fed is expected to raise the Federal Funds Rates (FFR) by 25 basis points until the rate reaches 3.75%, which economists consider to be a neutral rate. This increase will necessitate a review of the Earning Credit Rate that is used by STO to determine the compensating balances required to pay the banks for services provided to the state. The impact of an increase would be a reduction to the level of compensating balances. The difference would be returned to the pool and would generate additional investment income to the participants. Mr. Schaefer stated that the bank meeting held in October is the beginning of a series of listening sessions in the banking community to include very large depositories as well as smaller community banks and larger banks that are not transnationals. The intent is to get a better understanding of how changes in banking regulations are affecting the way banks charge the state for services as well as the earnings credit rate they receive for their services.

**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 three loan renewal requests (Items 9.a – 9.c) on the agenda in the amounts shown on column f of Exhibit A to the staff report. Items 9.a & 9.b reflect increases necessary to complete design work and begin construction, as well as to pay accrued interest and administrative costs. Item 9.c reflects an increase necessary to complete construction, as well as to pay accrued interest and administrative costs.

Staff recommended approval of the following new loan request: Item 9.d Department of Corrections and Rehabilitation, State Public Works Board Lease Revenue Bonds, Imperial County Jail Project. Loan proceeds will be used to begin funding design-build on this project.

Each of the above loan requests are in compliance with the current AB55 Loan Policy. In addition, on December 1, 2015, an AB55 Loan in the amount of \$7,195,202.41 was paid off. The impact on the pool from all of the noted actions will result in a net increase of \$41,719,797.59.

**LOAN RENEWAL REQUESTS**

	<u>PMIB Loan No.</u>	<u>Department</u>	<u>Amount</u>
a.	1560013	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds CA Correctional Center: Health Care Facility Improvement Project	\$12,524,000
b.	1560014	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds High Desert State Prison: Health Care Facility Improvement Project	14,546,000
c.	1560015	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds Riverside County Juvenile Project	24,718,000

**NEW LOAN REQUESTS**

	<u>PMIB Loan No.</u>	<u>Department</u>	<u>Amount</u>
d.	1560016	Department of Corrections and Rehabilitation SPWB Lease Revenue Bonds Imperial County Jail Project	18,824,000

Ms. Ortega moved to accept the staff recommendation and approve the three loan renewals and one new loan request. Upon a second by Mr. Chivaro, the motion passed 3-0 with the following votes: Mr. Schaefer: yes; Mr. Chivaro: yes; Ms. Ortega: yes.

**PUBLIC COMMENT**

None.

**ADJOURNMENT**

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

Respectfully submitted,

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Grant Boyken  
Executive Secretary