

**LOCAL INVESTMENT ADVISORY BOARD**

**915 Capitol Mall,  
Conference Room 587  
Minutes  
November 13, 2019**

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

**1. Roll Call**

Members Present: Fiona Ma, CPA, State Treasurer  
Walter Hall  
Sung Hyun  
Amy Lee  
Rafi Manoukian

Staff Present: Spencer Walker, Senior Attorney  
Bill Dowell, Director of Investments  
Jeff Wurm, Assistant Director of Investments  
Christina Sarron, Treasury Program Manager  
Jaya Naidu, Associate Treasury Program Officer  
Laurianne Blanco, Staff Services Analyst  
Nicole Mah, Staff Services Analyst

Treasurer Ma declared a quorum.

**2. Review of Unapproved Minutes from May 23, 2019 Meeting.**

The minutes were presented to the Board. Board Member Lee abstained as she was not present at the previous board meeting.

The item was passed by the following vote:

Treasurer Ma	Aye
Walter Hall	Aye
Sung Hyun	Aye
Rafi Manoukian	Aye

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

Ms. Sarron presented the staff report requesting approval of the Cal Poly Pomona Philanthropic Foundation as a Quasi-governmental agency to participate in LAIF. Treasurer Ma mentioned that LAIF was a safe option for agencies to invest. Board Member Manoukian further added that the State offers liquidity and transparency with their investments options with LAIF, which is a huge benefit compared to other options. Board Member Hall inquired regarding the maximum balance allowed to be invested in LAIF. Treasurer Ma announced that the cap will be increased starting January 1, 2020 to \$75 million and she will present the announcement at the LAIF Conference.

- Board Member Manoukian inquired if there was a restriction on withdrawing funds without notice. Ms. Sarron explained, we prefer a 24 hour notice on large withdrawals for cash flow purposes, however, an agency has the ability to withdraw up to their balance at any time.
- Treasurer Ma asked if LAIF was open to marketing to other agencies.
- Board Member Hyun questioned if there was a minimum requirement of qualifications an agency has to meet in order to qualify to invest in LAIF. Mr. Walker explained the Quasi seven factors and explained further that the factors were created by the State Treasurer's Office as a qualifier, however the factors were silent as to how many of the factors are met by an agency.
- Board Member Manoukian inquired how Legal came up with the recommendation if all factors were not met.
- Ms. Sarron described the agency's purpose. There was further discussion on the Staff Report recommendation.
- Mr. Dowell iterated that it is not a norm to receive many quasi-governmental agency applications.
- Board Member Manoukian asked if everyone would be okay if the agency was not approved. Board Member Manoukian further requested to table the request and for Mr. Walker to reformat the qualification guidelines and to state how many of the requirements need to be met.
- Mr. Walker requested the Board to table the application and staff will come back with new guidelines as well as supporting documentation for review.
- Board Member Lee stated it was important for transparency purposes for agencies to be reviewed in detail before they are allowed to invest in LAIF.
- 'Free Checking Account' and LAIF comparison was mentioned and discussed.
- Should an agency meet majority of the seven factors was discussed.
- Treasurer Ma brought up the "friends of" issue with non-profits.
- Ms. Sarron brought up non-profits vs Quasi discussion and how it pertained to their participation in LAIF.
- Mr. Dowell mentioned this was a slippery slope and Treasurer Ma agreed.
- Ms. Sarron mentioned that the agency did not qualify as a non-profit and that was the reason for it being presented as a Quasi.

- Board Member Manoukian asked if opening more accounts (like Quasi's) would affect staff workload.
- Mr. Wurm reiterated that it is up to the Board to decide on a Quasi application even if staff and Legal recommend the agency.
- Board Member Hyun explained that with the robust discussion that the Board should possibly apply the new policy going forward and just pass the current motion. He asked for a second to his current motion.
- There was no second to Board Member Hyun's motion, so he withdrew the motion.
- Treasurer Ma proposed setting criteria/guidelines for Quasi's going forward.
- There was further discussion regarding minimum deposits and balances.

Since the motion failed and Treasurer Ma requested additional information regarding Quasi participant data. The item was tabled for discussion at a later board meeting.

#### **4. LAIF 2019 Conference Discussion**

Mr. Wurm presented the plans for the upcoming LAIF Conference scheduled for November 14, 2019 at the Sheraton Grand Sacramento Hotel. He also requested the board members to assist with the Q&A session at the beginning of the LAIF Conference. Ms. Sarron discussed plans for the board members the next day following the conference to tour the vault. Board Member Lee inquired regarding the Conference registration fees for members. Ms. Sarron mentioned, we charge \$350.00 to the banks and \$150.00 for LAIF members. Treasurer Ma brought up the option of having a Conference in Southern California in 2020. She also asked about the Conference program and proposed the board members to speak. It was decided that Treasurer Ma would briefly introduce the board members at the Conference.

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

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

- PMIA was \$97.4 billion
- LAIF was \$24.5 billion
- The daily rate was 2.25%
- The quarter to date was 2.34%
- The year to date was 2.34%
- The average life for the portfolio was 185 days

Treasurer Ma asked Mr. Wurm to elaborate on federal legislation being pursued by the Investment Division regarding the Qualified Institutional Buyer requirement.

Ms. Sarron reported on LAIF Operations:

- The quarterly apportionment rate for the quarter ending June 30, 2019 was 2.57% with the administrative costs equaling 0.33% of earnings.
- The quarterly apportionment rate for the quarter ending September 30, 2019 was 2.45% with the administrative costs equaling 0.34% of earnings.

As of September 30, 2019 we had 2,373 LAIF participants.

LAIF Online had 386 agencies re-registered since the transition to SQL. We have had an average of 43 online transactions per day.

- The next board meeting was recommended for the first quarter of 2020.
- Board Member Lee proposed doing an online session to teach participants about LAIF Online and other online activities.
- Mr. Dowell presented the Annual Report.
- Treasurer Ma asked about webinars.
- Treasurer Ma brought up the State Auditor's heat map and her participation on the GASAC board.

## **6. Public Comment**

No public comment was made.

## **7. Adjournment**

There being no further business, the meeting was adjourned at 3:10 p.m.

Respectfully submitted,

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Christina Sarron  
LAIF Administrator